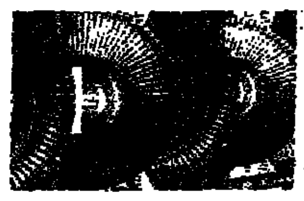
Only doing its job
Why the Treuhand is a scapegoat
Page 17

Hard news bites dog
China's press forced to learn new tricks
Page 16

Philippines
Still a long way to go
Survey, Section IV



Power generation
Equipment makers look to Asia
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FINANCIAL TIMES

Europe's Business Newspaper

TUESDAY MAY 25 1993

D8523A

VW chief defends executive against allegations by GM

Volkswagen's top executives fought back publicly against a renewed legal attack from arch-rival General Motors of the US against José Ignacio Lopez de Arriortua, alleged to have taken confidential documents when he defected from GM to the German motor group.

VW chairman Ferdinand Piëch said it was incredible that anyone should try to discredit Mr Lopez's "irreproachable professionalism" and the image of VW. Page 19

Major rejects attacks on his leadership style

UK prime minister John Major defended the review of welfare spending as essential to allow the government to "save where we can, to spend where we must" and rejected attacks on his leadership style in a wide-ranging interview with the Financial Times.

A fuller account of the interview will appear in tomorrow's FT. In it, the prime minister sets out his agenda for change in the European Community. Page 9

UK rail link plan: Britain is considering a plan to fund a £2.5bn ($3.8bn) rail link between London and the Channel tunnel by inviting the public to buy shares in the project through a stock market flotation.

French jobs package: French prime minister Edouard Balladur is to announce measures today to help cut unemployment. Page 2

BT's $7.7bn sale: BT, UK telecom group, announced details of the £5bn ($7.7bn) sale of the government's 21.9 per cent stake in the group. Page 19; Lex; Page 18

Writ against Bank of England over BCCI: Depositors in the collapsed Bank of Credit and Commerce International issued a writ against the Bank of England for allegedly failing in its role as regulator. Page 18

Hoover to quit Dijon: UK vacuum cleaner company Hoover said it would go ahead with a controversial plan to close its factory in Dijon, France, and move production to Scotland. Page 18

UK teaching faulted: The quality of technology teaching in England and Wales is inferior to courses in Germany, the Netherlands and Switzerland, according to the UK National Institute for Economic and Social Research. Page 8

Solvay, Belgian chemicals company, may be forced to close its first soda ash plant in Belgium because of fierce competition from the US and central and eastern Europe. Page 19

Israeli growth slowing: A closure imposed on the occupied territories two months ago is slowing Israeli economic growth, Israel's treasury said. In Lebanon Israeli paratroopers shot dead four colleagues in the army's worst battlefield accident for several years. Page 4

Mandela backs vote for 14-year-olds

A suggestion by African National Congress head Nelson Mandela (left) that 14-year-olds be given the vote stunned South Africa's political establishment – and surprised ANC senior members. South Africa's home affairs minister Danie Schutte said the suggestion would not receive serious consideration.

Spain's Socialists accused: Spain's Socialist party may have illegally financed the 1986 referendum campaign to remain in Nato, a Madrid newspaper alleged. Page 3

US trade index: US commerce secretary Ron Brown is to clarify the US trade picture by combining private sector services and the merchandise trade balance in a new quarterly index. Page 7

Nikon, Japanese camera manufacturer, reported its first loss since it was listed on the stock exchange in 1949. Page 21

American hoteliers happy: Hoteliers in North and Latin America are gaining in confidence but their European and Asian counterparts say prospects are gloomy. Page 7

Cannes festival prize: *The Piano* directed by New Zealander Jane Campion and the Chinese film *Farewell to my Concubine* were awarded the Golden Palm at the Cannes film festival.

STOCK MARKET INDICES

FT-SE 100:	2825.8	(+13.4)
Yield	4.04	
FT-SE Eurotrack 100	1158.98	(+1.20)
FT-A All-Share	1397.91	(+0.4%)
Nikkei	20,476.16	(-81.31)
New York lunchtime		
Dow Jones Ind Ave	3507.78	(+14.95)
S&P Composite	447.37	(+1.53)

US LUNCHTIME RATES

Federal Funds:	3⅛%
3-mo Treas Bills: Yld	3.084%
Long Bond	101 13/32
Yield	7.008%

LONDON MONEY

3-mo Interbank	6%	(6⅛%)
Liffe long gilt future:	Jun 104 3/32	(Jun 104⅛)

NORTH SEA OIL (Argus)

Brent 15-day July	$18.36	(18.42)

Gold

New York Comex June	$374.2	(377.9)
London	$376.75	(375.15)

STERLING

New York lunchtime:		
$	1.5335	
London:		
$	1.535	(1.5415)
DM	2.5125	(2.5075)
FFr	8.4575	(8.44)
SFr	2.2575	(2.27)
Y	169.25	(170.25)
£ Index	80.6	(Same)

DOLLAR

New York lunchtime:		
DM	1.63775	
FFr	5.51475	
SFr	4.4705	
Y	110.35	
London:		
DM	1.6365	(1.6275)
FFr	5.51	(5.475)
SFr	1.471	(1.4725)
Y	118.3	(110.4)
$ Index	64.4	(64.3)

Tokyo close Y 110.58

Austria	Sch30	Germany	DM3.30	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Greece	Dr300	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Hungary	Ft172	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	Iceland	IKr180	Neth	Fl 3.75	Slovak Rp	KSL45
Croatia	SLT220	India	Rs40	Nigeria	Naira45	Slovenia	HRD5700
Cyprus	C£1.00	Israel	Shk5.90	Norway	NKr16.00	Spain	Pta200
Czech Rp	Kcs45	Italy	L2700	Oman	OR1.50	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Pakistan	Rs35	Switz	SFr3.20
Egypt	E£4.50	Korea	Won 2500	Philippines	Pso45	Syria	S£50.00
Finland	FM12	Kuwait	Fils600	Poland	Zl 22,000	Tunisia	Din1.250
France	FFr9.00	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000
						UAE	Dh11.00

Steinkühler offers to resign over share dealing row

By Quentin Peel in Bonn and David Waller in Frankfurt

MR Franz Steinkühler, leader of Germany's powerful IG Metall engineering workers' union, yesterday offered to resign after accusations that he benefited from insider dealing in the shares of Daimler-Benz.

At the same time he appealed for support from his union members to let him stay in office and win back their confidence.

In a separate letter to Mr Hilmar Kopper, the chairman of the supervisory board at Daimler, of which he is a member, Mr Steinkühler said he would not attend any further meetings until an inquiry into insider dealing on the Frankfurt stock exchange reported on his particular case. That means he will not attend the company's annual general meeting tomorrow, at which Mr Steinkühler's position on the supervisory board is certain to be an issue.

His move was seen yesterday not as an admission of defeat by the most powerful union leader in Germany, but as a calculated gamble to maintain his position.

In a letter to top officials of the 3.3m-strong union, he admitted that he had made a "political mistake" in buying and selling the shares of two companies closely linked to Daimler.

Although he denies the charge of insider trading in the shares of both Fokker, the Dutch aerospace manufacturer controlled by Daimler, and Mercedes AG Holding, the Daimler holding company, he admitted that it was wrong to have bought and sold them at all as a board member.

He promised that all the shares had now been sold, and the profits paid into the solidarity fund for the recent strike by union members in the east German engineering and steel industries. Mr Steinkühler bought DM1m ($610m) worth of MAH shares, and earned a profit of at least DM64,000 on the sale of a first tranche, after Daimler decided to dissolve the holding company and exchange its shares for full company shares.

"I am clear today that it was politically wrong for the first chairman of IG Metall to buy the shares of a company to whose supervisory board he belongs, regardless of when it was done," he said.

"In that sense, I have committed an error which has shaken not only my personal credibility, but has brought our organisation and our common goal into disrepute."

He said it was impossible for him to lead the union if he no longer had the trust of its membership.

He therefore offered to resign "if my behaviour proves too great a burden for the union".

His letter will be discussed today at a national executive meeting of IG Metall. However, any final decision on whether his resignation is accepted will almost certainly be left to a meeting of the union's national advisory committee – its most important body between national congresses – on June 8.

Protest fear over Bonn's asylum bill vote, Page 3

EC leaders to consider job-creation strategies

By David Gardner in Brussels

PAGE 2
- Healthy ERM could still grow into Emu
- Germans opposed to Emu

EUROPEAN Community leaders are likely to consider a strategy for tackling unemployment in the EC which would create more jobs than economic recovery on its own is expected to produce. A document which the Commission is expected to adopt tomorrow says unemployment could be cut by measures such as reducing employers' social security contributions and encouraging the sharing-out of jobs.

There are now 17.4m EC citizens without jobs, 10.3 per cent of the workforce.

The framework policy, which was approved in its essentials yesterday by the *chefs de cabinet* of the Commission, puts forward a jobs-crisis agenda for the next three presidencies of the EC, to the end of 1994. But the so-called "Community-wide framework for employment" avoids any challenge to Europe's welfare states.

The document says a return to the high economic and productivity growth of the late 1980s "would still leave the Community well short of a target such as 5 per cent unemployment."

But the Commission confidently states that "there is sufficient evidence and experience to suggest that ways of, at least, improving the situation can be found – over and above those which can result from higher levels of economic growth."

The proposed strategy, which is likely to be near the top of the agenda at next month's Copenhagen summit of EC heads of government, is the first EC-wide attempt to deal with structural unemployment. It focuses on ways of creating more labour-intensive growth.

The document notes that while Belgium and the Netherlands have similar labour productivity, the Dutch provide jobs for 10 per cent more people of working age. The Danes earn less per head in real terms than western Germans, but have a much higher proportion of people at work.

Outside the EC, the Commission notes that the US had the same rate of output growth as the Community in the last decade, but that income growth per American worker was half EC levels. More jobs were created and household incomes rose. In Japan, the document says, high productivity in the traded goods sector has created well-paid jobs in the service sector, where productivity is well below EC levels.

"You can have labour-intensive work while still providing a highly competitive product," said one senior Brussels official. "It's a question of how you share a given volume of employment between people."

The Commission stresses that its strategy is consonant with the "economic and social aims" of EC member states. It would "not exploit workers in a weak position in the labour market, or inhibit the development of the high value-added, knowledge-based jobs which will be the key to future competitiveness."

But it suggests that employers' "social contributions" – averaging 15 per cent of wages and salaries across the EC but varying between member states "from virtually 0 per cent to over 20 per cent" – affect job creation.

The five main points of its framework therefore call for: "reducing labour costs ... notably by modifying the incidence of

Continued on Page 18

The devastated centre of Magherafelt in Northern Ireland where the Irish Republican Army exploded a 1,000lb bomb on Sunday Page 9

Inquiry calls for EBRD overhaul

By David Hellier and Robert Peston in London

THE audit committee of the European Bank for Reconstruction and Development yesterday urged the bank to achieve "greater efficiency", in response to the slower than expected rate of loans and investment being made.

It urged the bank, which was set up to stimulate the growth of the private sector in eastern Europe, to introduce new budget disciplines, so executives cannot offset overspending in some areas by underspending in others.

The question of whether budgetary allocations should be transferable was the focus of a meeting yesterday of the bank's directors, who are officials representing the banks and agencies that own the bank.

The board meeting also confirmed the appointment of Coopers & Lybrand, the accountant, to assist the audit committee in its investigation into whether the £55.5m ($85m) spent on furnishing the bank's City of London headquarters was excessive. It emerged yesterday that the Swedish finance minister, Ms Anne Wibble, has called a meeting of finance officials of the leading industrial countries to review the audit committee's investigation into the bank's cost controls.

Ms Wibble called the meeting in her capacity as chair of the bank's board of governors. It is being hosted in London today by the UK Treasury and will be chaired by Mr Claes de Neergaard, chairman of the EBRD's audit committee. Mr Jacques Attali, the bank's president, has not been invited.

A Treasury official said yesterday the British government was pleased with the way the audit committee had "got stuck into" the task of reviewing financial controls at the bank.

Mr de Neergaard presented to the board meeting a report on the audit committee's work on improving budget controls and reviewing the spending of the £55.5m. The report noted that Mr Cedric du Monceau has taken over on a temporary basis as

Continued on Page 18

Owen to consult EC leaders over future role as mediator

By Robert Mauthner in London and Laura Silber and Kerin Hope in Belgrade

LORD OWEN who, together with Mr Cyrus Vance, fathered the ill-fated Bosnian peace plan, yesterday hinted that his future role as a mediator might be in doubt.

He told journalists he wanted to consult European leaders over the next few days before making a statement. Many observers believe the plan has been sidelined by the international strategy on containing the conflict.

Lord Owen said he was facing a "new situation" following last weekend's meeting in Washington at which the US, its European allies and Russia agreed to press ahead with "safe areas" for Moslems in Bosnia and proposed the monitoring of the Serbian-Bosnian border to ensure that essential supplies to the Bosnian Serbs would not get through.

"My role as a negotiator stems from the European Community and I want to talk to them. I'll be talking to a number of people over the next few days," Lord Owen said.

He declined to answer when asked whether the Vance-Owen peace plan, providing for the division of Bosnia-Hercegovina into 10 semi-autonomous provinces, might be dead following the Washington agreement.

However, Mr Douglas Hurd, the UK foreign secretary, firmly rejected any such suggestion at a news conference in Copenhagen.

The new peace efforts in Bosnia should be seen as a prelude to the Vance-Owen plan, not as its replacement, he said. "What we were doing in Washington was to agree on the steps which we agree are immediately possible to stop the fighting and bring the bloodshed to an end."

In Washington, Mr Warren Christopher, the US secretary of state, defended the new policy of limited steps to contain the war in Bosnia as serving the interests of the American people.

Mr Vitaly Churkin, the special Russian peace envoy, also denied that the new strategy meant an end to the Vance-Owen plan, endorsed by the Bosnian Croats

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LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Bangemann criticises drug curbs

By Paul Abrahams in Salzburg

MR Martin Bangemann, European Commission vice president, yesterday criticised European governments for limiting spending on drugs. He warned that measures to hold down costs would affect drug companies' profitability and their ability to develop new medicines.

"Departments of health are waging an increasingly desperate struggle to control costs and the pharmaceutical industry is their favourite target, even though it accounts for only a small proportion of health care spending," he said.

This year the German, British and Italian governments have introduced or proposed measures to rein in drug spending.

Mr Bangemann told the European Federation of Pharmaceutical Industries' Associations conference in Salzburg that if companies continued to negotiate separate deals with governments, such as agreeing to invest in a country in exchange for high prices, they would not benefit from the single market. This was a vicious circle involving both companies and governments.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 6000 Frankfurt am Main 1, Germany. Telephone 49 69 156 850. Fax 4969 5964481. Telex 416193. Represented by Edward Hugo, Managing Director. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 6078 Neu-Isenburg 4 (owned by Hürriyet International).
Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.
FRANCE
Publishing Director: J. Rolley, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D
DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35

Balladur to borrow $7bn to boost economic revival

By David Buchan and Alice Rawsthorn in Paris

MR Edouard Balladur, French prime minister, is to launch a FFr40bn ($7.31bn) bond issue to finance job-creation measures and speed up public works to help revive the economy.

The government had already indicated it planned steps to bring down France's 10.7 per cent unemployment rate.

After talks with employers and unions in recent days, the prime minister has decided to use the parliamentary debate on the budget today to announce the "acceleration" of measures to raise employment, which he had intended to leave until the autumn.

According to La Tribune newspaper, the measures could include an extra FFr2bn to keep young people in work experience schemes, in addition to the FFr7bn payroll tax cuts in the May 10 budget and accelerated spending of the extra FFr1.3bn already pledged for public works.

Mr Philippe Auberger, the parliamentary budget *rapporteur*, welcomed the government's intention to fund a job-creating initiative through a special bond issue. The government could thereby take advantage of the fall in the cost of money – which continued its decline yesterday when the Bank of France cut its intervention rate from 7.75 per cent to 7.5 per cent and the five-to-10-day lending facility from 8.75 per cent to 8.5 per cent. Mr Auberger said investors might hurry to subscribe to a new loan before rates fell any further.

Economists are now waiting to see whether the commercial banks will follow the Bank of France's lead by cutting base rates as they did two weeks ago – from 9.25 per cent to 9 per cent – following the last cut in official interest rates.

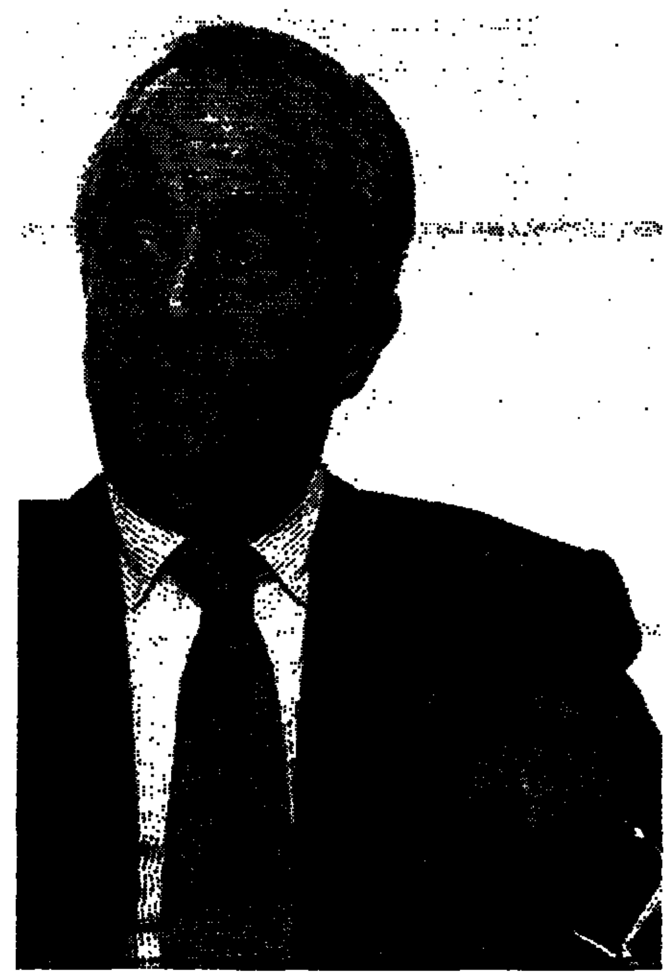
The reduction yesterday means that the cost of France's official short-term facility has fallen from 12 per cent to 8.5 per cent under the new government.

So far, lower interest rates have had little impact on the French economy, which is plagued by sluggish consumer spending and industrial investment. Public borrowing for 1993 was last set at FFr220bn in December. Since then, the official budget deficit estimate for this year has been raised from FFr165bn to FFr316bn.

● Norway's central bank yesterday announced a cut in the key overnight lending rate to 7.50 per cent from 7.75.

It was the 12th rate cut so far this year, with rates having started 1993 at 11 per cent.

The bank said the move was part of the downward trend in European interest rates.



Balladur: Jobs package to be unveiled today

Europe urged to end reliance on US

By Lionel Barber in Brussels

EUROPE must develop an independent army to tackle security threats on the continent rather than rely on the US to come to the rescue, Mr James Dobbins, outgoing US ambassador to the European Community, said yesterday.

In a reference to recent divisions within the alliance over how to respond to the conflict in former Yugoslavia, Mr Dobbins said: "The American people, in my judgment, are unlikely to support a long-term US troop commitment to Europe if they see its purpose as protecting rich, prosperous Europeans against two-bit outlaws like Serbia."

Mr Dobbins added: "Until the major European nations, including Germany, are prepared to send their young men abroad to fight, and to die if necessary, in a European cause, under a European flag, and within a European command, no amount of planning for a European security identity will field a single battalion."

Mr Dobbins, who was speaking in Brussels at the Centre for European Policy Studies, acknowledged his speech was drafted before the latest alliance moves to end divisions over how to respond in Bosnia. But they also mark a shift in thinking in some US circles toward a sharing of burdens in the post-cold-war era, between the Nato alliance and an emerging European defence identity, probably the Western European Union, particularly where there was no vital US interest involved.

Mr Dobbins also urged the EC to integrate Russia, along with other east European countries into a new Euro-Atlantic community.

He suggested parallels between Russia's position in 1993 to Germany's position in 1945. Just as Germany (albeit divided) was integrated into western institutions such as Nato and the EC, so Russia should be included in arrangements for eastern Europeans.

"An arrangement whereby western Europe provides security to Russia's neighbours while the US establishes a strategic partnership with Russia is a formula for disaster," he said.

Mr Dobbins, a career diplomat, is to be replaced in the summer by Mr Stuart Eisenstadt, a Democrat appointee.

'Healthy' ERM could still grow into Emu

Lionel Barber assesses EC finance ministers' steps likely to restore confidence in currency system

TO TALK of a new realism permeating the affairs of the European Community may be premature. But after two days of talks in a former sanitorium in Kolding, Denmark over the weekend, EC finance ministers took several steps likely to rebuild confidence in the European exchange rate mechanism, while keeping the more ambitious project of European Monetary Union in their sights.

Mr Horst Köhler, German state secretary of finance, picked up the meeting's central theme: the need to regain credibility. He doubted whether a majority of EC member states would be ready for monetary union by 1997, the earliest date set down in the Maastricht treaty, and he served notice that Germany would not support moves to water down the targets on inflation, budget deficits and government debt – the so-called "convergence criteria".

Without as much as a whimper, all present agreed. Mr Jacques Delors, European Commission president and one of the architects of Emu, declared that there was no need for change. Mr Philippe Maystadt, Belgian finance minister, who just a week ago predicted that member states would have to alter the targets if the recession continued into 1994, said he had been misunderstood.

"There is not going to be a fast-track to monetary union," said an EC official. "It's going to be a long hard slog."

Clearly a funny thing happened on the way to Kolding. There are two likely explanations: one is that ministers are desperate to capitalise on the Danish Yes in the (second) referendum last week on the Maastricht treaty, and are well aware that loose talk about amending its provisions would scare the markets.

Just as important is the influence of the two high-level official investigations into the exchange rate crisis last autumn which led to the forced departure of the British pound and the Italian lira from the ERM, followed by devaluations of the peseta, the escudo and the punt.

In a commendable exercise in transparency, the Danish presidency of the EC won agreement to make public the reports, one by the committee of central bank governors and one by the EC's monetary committee. Both reject wholesale reform of the ERM, emphasising instead the need to apply the rules more rigorously.

By spreading the blame for the crisis, the committees defuse the Anglo-German row that followed it: the Bonn government is criticised for financing unification through borrowing, a policy mix which forced up interest rates and deepened the recession in Europe. The UK is implicitly rebuked for sticking to an overvalued exchange rate and failing to raise interest rates to deter speculators.

The reports' conclusions could have come out of the mouth of the Bundesbank: each member state must first put its own economic house in order, and no member state has an obligation to intervene in the markets to prop up weaker currencies.

Ministers supported a call for an "early warning system" whereby the monetary committee or central bankers would use confidential economic indicators to strengthen the case for a member state to devalue.

The call for frank, if confidential discussions prior to devaluation may be easier said than done, according to an EC official involved. As was evident during the crisis last September, ministers and officials prefer to use code rather than spell out the case for a general realignment in the ERM.

Yet Kolding's achievement was to produce a consensus on the ERM – even among the weaker currency members such as Spain and Portugal and those outside the system such as the UK and Italy. This consensus is an essential building block for Emu, said one EC official.

Mr Norman Lamont, UK chancellor of the exchequer and an outspoken critic of the Bundesbank, conceded that the German central bank had fulfilled its obligations in support of sterling in the run-up to Black Wednesday.

Editorial comment, page 21

Poll swings against EC

A single currency and European monetary union are opposed by 60 per cent of Germans, according to the latest Eurobarometer poll on EC opinion, which more predictably shows 65 per cent of Danes and 60 per cent of British against, writes David Gardner in Brussels.

Overall, however, 52 per cent of Europeans favour a single currency, with 38 per cent against.

However, there are big majorities for a common foreign and security policy – averaging 66 per cent to 19 per cent across the EC – and wide support (77 per cent against 13 per cent), everywhere except Denmark, for a common defence regime. Majority opinion in all countries except Denmark, Germany and Greece, moreover, supports EC military intervention in Bosnia to establish peace.

Support for the EC has nonetheless dropped since the twice-yearly Eurobarometer last appeared in November.

Maastricht is supported by 41 per cent, with 24 per cent against and 35 per cent undecided. More strikingly, 47 per cent are unhappy about democracy in the EC.

The Commission withheld the poll results until the Danish referendum on Maastricht was over.

Russia hopes for big IMF pay-out soon

By John Lloyd and Leyla Boulton in Moscow

THE Russian government and the central bank have agreed ambitious targets to cut credit expansion, inflation and the budget deficit, clearing the way to receive the first half of the $3bn (£1.9bn) systematic transformation facility from the International Monetary Fund.

The government and the bank said they would retain tight control of credit expansion and attempt to reduce monthly inflation to 9 per cent and the budget deficit to 5 per cent of gross national product by the end of the year.

Mr Alexander Shokhin, deputy prime minister for foreign economic affairs, yesterday said he expected the first $1.5bn tranche of the facility within a month, and the second tranche in the second half of this year. A further $4bn should also be paid over in the latter half of 1993, he said, as the largest part of the IMF stand-by loan which is conditional upon Russia getting economic reform back on track.

Mr Shokhin hoped the July meeting of the heads of state of the Group of Seven industrialised nations in Tokyo would agree a further $4bn fund, proposed by the US, to assist with the privatisation process. Privatisation of small, medium and large enterprises is proceeding rapidly in Russia, although the newly privatised companies desperately lack capital and management expertise. Mr Anatoly Chubais, deputy prime minister in charge of privatisation, admitted at the weekend that he had been "very concerned" before the referendum that reform and privatisation would both fail.

But since the referendum, all those regions that had refused to sell off state companies through auctions had now agreed to do so. "By June 1 not one region will stand out against the government's programme," he said.

The price of the privatisation vouchers, which had sunk below Rbs4,000, had risen to Rbs5090, and the federal parliament had given up attempts to stop the privatisation process, he said, "not because they have become supporters of privatisation, but because they know they would lose support if they tried to stop it".

Mr Chubais also thought further reforms of the Russian cabinet were imminent, with radical officials likely to be promoted in order to encourage reform.

However, Mr Shokhin sounded a note of caution on reform when he expressed some scepticism over the agreement between the bank and the government because of the difficulties of controlling credit emission from the central bank under the chairmanship of Mr Victor Gerashchenko. Mr Gerashchenko has recently commented that the agreement to limit credit expansion to 30 per cent in the current quarter and a further 30 per cent in the second half of this year could not succeed.

The deputy prime minister also said that Mr Boris Yeltsin, the Russian president, is to go to Copenhagen from June 19 to 21 for talks with the leaders of the European Community on a possible agreement between Russia and the EC on what Moscow alleges are discriminatory practices against its products. Mr Georgy Gabunia, the deputy trade minister said that the EC had designated Russia as a state-aided economy in which large subsidies were paid on its goods.

However, the Russian side will argue that prices have largely been freed and that it is inconsistent to end discrimination against the Baltic states – whose economies are still substantially state-owned – while retaining them against Russia and other former Soviet republics.

The Patriarch of the Russian Orthodox church, Alexei II (left), speaking to Patriarch Parfeni III of the Alexandria church at a ceremony in the centre of Moscow yesterday before a statue of the ninth-century Byzantine missionaries, Cyril and Methodius, who are credited with having invented the Slavic alphabet

New leads in Italy scandal

Telecoms industry widens tangle of inquiry, writes Haig Simonian

BY arresting a string of leading telecommunications executives, including the local heads of multinationals such as Siemens and Ericsson, Italy's magistrates have plugged into an important new line in the political corruption scandal.

Cynics have already renamed the ministry of posts and telecommunications the *ministero delle poste e tangenti* (bribes), reflecting the stream of allegations regarding billions of lire in kickbacks on big telecoms contracts.

The information, based largely on the leaked testimony of Mr Davide Giacalone, a former adviser to Mr Oscar Mammi, the former posts minister, has proved a deep embarrassment to the Republican party. Small but influential, the Republicans have managed to remain relatively unscathed by the corruption scandal, in spite of a warning to Mr Giorgio La Malfa, their former leader, of possible prosecution on allegations of illegal party funding.

That calm was shattered at the weekend after leaked testimony by Mr Giacalone alleged the Republicans received about L9bn (£4m) in kickbacks on telecoms business between 1987 and 1990. The allegations prompted magistrates to inform Mr La Malfa and Mr Mammi that they were under investigation on more serious charges of receiving illicit funds and illegal party funding. Both politicians protested their innocence, and Mr Mammi is to resign as an MP, which removes his parliamentary immunity.

The revelations also embarrassed Mr Silvio Berlusconi, Italy's media magnate, after it was learned Mr Giacalone worked as an independent consultant to Mr Berlusconi's Fininvest group on leaving the ministry. Among Mr Giacalone's tasks for Mr Mammi was advising on the highly sensitive allocation of valuable broadcasting frequencies, an issue of concern to Fininvest, which controls Italy's three biggest private TV channels.

Telecommunications are likely to keep magistrates engaged for some time. In the past 10 days, they have arrested the heads of the Italian telecoms subsidiaries of Sweden's Ericsson, GEC Marconi of the UK and, most recently, Germany's Siemens. Both Alcatel and Pirelli, leading cables producers, have also reportedly admitted to paying kickbacks.

In the past three days, magistrates have made two further calls. Mr Luigi Montella, managing director of Sirti, the network engineering subsidiary of the huge, public-sector Stet telecommunications group, was arrested at the weekend. And yesterday saw the arrest of Mr Tommaso Rea, a senior Stet executive who headed its Seat yellow pages divisions until last year and now runs its AET subsidiary. The involvement of Stet, one of Italy's biggest companies and closely followed by international investors, marks a potentially explosive development in the inquiries, which have so far focused on the former ASST state telecommunications agency.

Unlike the UK, France or Germany, Italian telecommunications is split between seven different companies. Stet, which is majority-owned by the Iri state holding company, is the umbrella group for Sip, the main telephone utility; Italcable (international calls); Telespazio (satellite communications); Sirti and Italtel (equipment manufacturing).

THe group is notorious for its political appointees. Top executive posts have mushroomed to accommodate the political parties' desire for representation, while co-ordination is limited and in-fighting endemic.

Until this year, ASST was an additional player in the telecoms game. Directly controlled by the post ministry, rather than Iri, the agency in theory dovetailed between Sip and Italcable. ASST handled intercity truck traffic (leaving Sip to make local connections at either end) and shorter-distance international calls (with intercontinental business left to Italcable). In a belated attempt at rationalisation, ASST was transferred to Iri this year, and renamed Iritel. The company which employs about 18,000, is expected to disappear in a restructuring which may leave just one telephone utility by the late 1990s.

Both ASST and Stet have invested massively to bring the once lamentable telephone system up to date. Sip alone had a L5,000bn-a-year investment plan for 1988-91, which was stepped up to L11,000bn yearly for 1992-95.

The allegations of kickbacks have so far been restricted to ASST, with indications that the agency, linked directly to the political establishment, was used as a direct source of funds. The investigations started after Mr Giuseppe Parrella, former director general of ASST, was arrested in connection with alleged kickbacks of L40bn on L2,500bn of business involving domestic and multinational telecoms group between 1987 and 1991. Soon after came the arrest of Mr Giuseppe Lo Moro, a former assistant to Mr Parrella, and then Mr Giacalone.

The telecoms inquiries are probably still in their infancy. Magistrates are already looking into the links between ASST and the posts ministry. So far, Mr Antonio Gava, Mr Carlo Vizzini and Mr Mammi, the three post ministers between 1987 and 1991, have all been told they are under investigation for alleged political corruption. However, Mr Mammi is the only one so far facing allegations specifically relating to his term of office.

Milan magistrates have opened another significant line of enquiry into corruption in the form of political kick-backs on contracts controlled by the Culture Ministry, Robert Graham reports from Rome. Yesterday, police arrested Mr Alberto Ciampaglia, former treasurer of the small Social Democrat party, for allegedly receiving a L400m (£175,510) payment from an architect for restoration work. Last week Ms Vincenza Bono Parrino, Social Democrat culture minister from 1988 to 1989, was warned she was under investigation for allegedly receiving L2.5bn for restoration contracts for historic monuments.

Mr Ciampaglia was one of four people arrested yesterday in connection with the culture ministry enquiry. In another development, Mr Francesco Forte, a prominent Socialist senator and former finance minister, announced he had received notice that he was under investigation for allegedly receiving illicit funds.

González faces another scandal over party funds

By Peter Bruce in Madrid

SPANISH ELECTIONS

SPAIN'S ruling Socialist party yesterday moved a step closer to defeat in the June 6 election after a Madrid newspaper published allegations that the party may have illegally financed the 1986 referendum campaign to remain in Nato.

The Socialist party, while not denying the charges, said they were a political attack. The income was not illegal, the party said, since it predated the current party financing law.

The allegations, published so close to the election, are bound to have an electrifying effect on wavering voters. The conservative Partido Popular (People's party) and the Socialists continue to run neck-and-neck in the polls. Although the Socialists appear to have escaped from the recent peseta devaluation and increase in unemployment with little damage, a new corruption scandal could be much more wounding.

Polls suggest that up to half the electorate is undecided, and many former Socialist voters have been dismayed by the torrent of corruption charges made against the party in the last four years.

El Mundo, the newspaper which published the charges, alleged the party raised more than £3.2m in 1986, mainly in the form of commissions paid to the party by construction companies. El Mundo has been responsible for uncovering nearly all of the scandals that have weakened the prime minister, Mr Felipe González, including the so-called Filesa scandal, which is credited with having forced Mr González to call an early election.

Filesa was a dummy consultancy company run by Socialist party officials, which raised more than £6.4m in the late 1980s by selling reports and services to client companies. None of the reports has ever been produced and Treasury inspectors suspect they do not exist. The Filesa cash is alleged to have been used to finance the Socialists' 1989 election campaign.

The new El Mundo claims came on the day Mr González was due to hold a televised election debate with his main political challenger, the People's party leader, Mr José María Aznar. Up to 5m people were expected to watch the debate, the first ever in a Spanish election.

Voters see little difference between the PP and the Socialists on economic policy, so the corruption allegations could have a decisive effect.

Protest fear over Bonn's asylum bill vote

By Ariane Genillard in Bonn

DEMONSTRATORS are expected to gather in Bonn today and tomorrow to protest against the German parliament's plan to change the constitution and curb the influx of asylum seekers.

An additional 3,000 policemen and border guards will patrol the city to prevent the protest turning to violence ahead of the parliamentary vote, due tomorrow.

The government said that it feared trouble after learning that extreme left-wings groups had vowed to prevent the parliament from voting. Some 10,000 people are expected to take part in the demonstration. The largest protest action will be headed by Support Action for Asylum, an umbrella organisation gathering together various church groups, the Greens, the small German Socialist party, and movements against racism.

The demonstrators are protesting against changing article 16 of the German constitution which grants any refugee the right to seek asylum in the country.

However, the parliament is expected to vote for an amendment allowing asylum-seekers to be sent back over the German border to third countries such as Poland and the Czech republic.

The constitutional amendment, which requires the support of the opposition Social Democrats (SPD) in parliament, was drawn up after two years of heated debate over Germany's liberal asylum rights.

Since the beginning of the year, some 150,000 refugees have applied for asylum. Eighty per cent of the asylum seekers entered Germany from Poland or the Czech republic.

SPD leaders have appealed to their party's MPs to vote in favour of the proposal. But a strong minority of left-wing deputies is fiercely objecting to the amendment.

The SPD parliamentary whip, Mr Peter Struck, says there are about 100 rebels among the SPD's 259 deputies in parliament.

This is too few to block the bill, for which Chancellor Helmut Kohl needs only about 45 SPD votes.

They argue that countries such as Poland and the Czech republic do not have the infrastructure to house large numbers of refugees and lack the legal environment to ensure fair asylum proceedings.

Germany and Poland recently signed an agreement to allow refugees to be sent back across the border.

Polish row over shipyard sell-off

By Christopher Bobinski in Warsaw

A POLISH government decision to suspend the sale of the Szczecin shipyard, at the behest of President Lech Walesa, has provoked strong protests from local unions.

Mr Walesa made the move after meeting Mr Marian Jurczyk, the leader of the radical Solidarity 80 union, which wants the yard to be privatised through an employee buy-out. However, the Solidarity union and the local branch of the former communist OPZZ have criticised Mr Jurczyk's proposals and back the original privatisation plan. The shipyard is one of Poland's most successful enterprises.

The original plan involved the sale of 30 per cent of the yard's equity to its domestic creditor banks and 30 per cent to the 5,000-strong workforce. A further 9 per cent would be sold to management and 10 per cent would go on public offer.

Last year, the yard negotiated a reduction of its near 2,000bn zloty (£73.3m) debt. Poland's Bank Handlowy has also opened a three-year $110m (£71.4m) credit line for the yard. Sales last year reached over $180m, with the yard, which receives no subsidies, breaking even.

Cuts in delivery schedules and low labour costs have made it competitive on the German market, where it is supplying 60 per cent of medium-sized container vessels.

The yard's managing director, Mr Krzysztof Piotrowski, called the government's decision "tragic".

The yard had hoped to establish an "industrial group" modelled on Japanese giants such as Mitsubishi or even Kvaerner, the Norwegian shipping group.

● Kidder Peabody, the US investment and brokerage house, has been appointed by Poland as its adviser on restructuring the country's $12.1bn commercial bank debt. Negotiations on the debt are expected to last until the end of the year.

S Korean military chief sacked

By John Burton in Seoul

SOUTH Korean President Kim Young-sam yesterday sacked the chairman of the joint chiefs of staff in a continuing purge of the military under the new civilian government.

In his first three months in office, Mr Kim has replaced many senior commanders in an attempt to impose firm civilian control over the military, which ruled the country for the past 32 years.

Most of those dismissed have been army officers who are members of the Hanahoe (One Mind) society, which plotted the last coup in 1979 and includes the two previous presidents, Mr Chun Doo-hwan and Mr Roh Tae-woo. Hanahoe consists of the graduates from the Korean military academy in the 1950s.

In what is regarded as a move to reduce the influence of the army, the biggest and most powerful service, Mr Kim appointed the air force chief, Gen Lee Yang-ho, as the new chairman of the joint chiefs of staff to replace Gen Lee Pil-sup of the army. The position has previously been held only by army generals.

The appointment of the air force chief may also be an attempt by Mr Kim to make amends to the junior services after the recent arrest of a dozen air force and navy officers on corruption charges including bribery to obtain senior commands.

The air force and navy complained they were being unfairly punished, since Mr Kim was ignoring suspected cases of corruption in the army.

The corruption charges have threatened to damage severely relations between Mr Kim and the military when tensions are growing with North Korea over its suspected nuclear weapons programme.

Mr Kim then tried to improve ties with the military by cancelling plans to prosecute the officers for corruption, although they were dismissed from the service.

The current purge, however, has support within the military, particularly among younger officers who have seen their chances for promotion blocked by the older generation affiliated with the former military dictatorship.

Progress in Tokyo airport row

By Robert Thomson in Tokyo

A PARTIAL settlement was reached yesterday in a 25-year dispute between the Japanese government and protest groups which have blocked the construction of the New Tokyo International Airport at Narita.

The continuing Narita protests and the opposition of local farmers' groups have succeeded, to the embarrassment of the government, in crippling plans for two runways and a high-speed railway link from the airport to central Tokyo.

At a meeting yesterday, the government agreed to halt preparatory work on the two runways and withdraw applications to seize land which residents have refused to sell. In return, an influential protest group, Atsuta, will join a forum to plan the final stages of the airport's construction.

The agreement does not include two other farmer-backed protest groups which still own land in the path of the proposed runways. One of those groups insists that the entire Narita project, including the buildings already completed and open for business, must be scrapped.

However, the government hopes those groups will join Atsuta in the forum, due to be established late this year. Mr Ihei Ochi, the transport minister, hailed the agreement as a "new beginning", but it still remains unclear as to when the dispute will come to an end.

Cambodia shatters myth of Japanese warrior

Timidity among Tokyo's UN contingent has embarrassed the government, writes Victor Mallet

CAMBODIAN ELECTIONS

FEW of the foreign contingents working for the United Nations in Cambodia can have been as pleased as the Japanese that the first two days of the UN-organised election this week passed off much more peacefully than expected. Japan's attempt to forge a new and more prominent role for itself on the international stage – symbolised by the choice of the Japanese diplomat Mr Yasushi Akashi as chief of UN operations in Cambodia – has been afflicted by both tragedy and ignominy.

The killing of two Japanese peacekeepers in separate attacks in April and May prompted anxious Japanese at home and fearful Japanese policemen in Cambodia to ask the Tokyo government to withdraw its nationals and thus end its first use of ground forces abroad since the second world war.

Such a move would probably have put an insurmountable obstacle in the way of Japan's efforts to earn a permanent seat on the UN Security Council.

For the time being Mr Kiichi Miyazawa, Japan's prime minister, has held firm, reiterating his country's commitment to the UN Transitional Authority in Cambodia (Untac) while sending senior officials to Phnom Penh to plead for improved security for Japanese and other forces.

Japan, whose contributions to Cambodia included 600 members of an engineering battalion and 75 unarmed policemen, has had an unhappy record in the country, although there is so far no evidence that its nationals are being targeted by Khmer Rouge guerrillas as the "soft underbelly" of Untac's 22,000 peacekeepers.

Atsuhito Nakata, an idealistic and dedicated 25-year-old civilian volunteer working as a district electoral supervisor, was ambushed and murdered with a Cambodian assistant in Kompong Thom province in April. It is not clear whether he was killed by the Khmer Rouge or by frustrated job seekers denied lucrative employment with the UN.

Haruyuki Takada, a 33-year-old policeman, was killed in north-western Cambodia earlier this month in a Khmer Rouge attack on a UN convoy.

After the second killing, several Japanese policemen deserted their posts and sought the safety of the capital, to the intense embarrassment of the Japanese government and Mr Akashi. Mr Hiroto Yamazaki, head of the Japanese police in Cambodia, asked for his men to be withdrawn from the country.

"It's absurd," said one diplomat from another nation contributing forces to Untac. "You can't have countries taking that sort of unilateral action."

At least four of the policemen are still in Phnom Penh, although Untac and Japan have found a solution of sorts by declaring them to be ill. Japanese journalists say they are suffering from "mental exhaustion". Brig-Gen Klaas Roos, the Dutch chief of Untac police, says they have medical certificates and will be sent home.

The humiliation of the Japanese contingent was compounded when two prisoners linked to the Cambodian government and suspected of murdering an opposition politician escaped in a jailbreak in Prey Veng, two Japanese policemen were supposed to be guarding them 24 hours a day precisely because Untac did not trust the prison authorities to keep the suspects behind bars.

Outdated western images of the "warrior" Japanese dating back to the second world war have quickly been dispelled by the reality in Cambodia, and replaced with a sense of resentment that the Japanese appear to be receiving special treatment.

The Japanese engineers, and the 40 newly-arrived Japanese international polling station officers, have been posted to Takeo province near Phnom Penh, which is regarded as one of the safest areas of Cambodia.

In Takeo the engineers live in a luxurious camp which boasts everything from air-conditioning and video games to herbal baths, karaoke machines and cold Sapporo beer. All polling station officers were allowed to receive a light flak jacket but some non-Japanese complained that their Japanese colleagues had been issued with full bullet-proof vests by Tokyo.

Part of the problem for the Japanese policemen and soldiers is that their government, in its eagerness to play an international role, deliberately painted too rosy a picture of the situation in Cambodia.

Among the principles laid down by the government for Japanese participation in peacekeeping operations – to conform with Japan's pacifist post-war constitution – was that there should be a ceasefire agreement in place. However the Cambodian ceasefire has been more honoured in the breach than the observance.

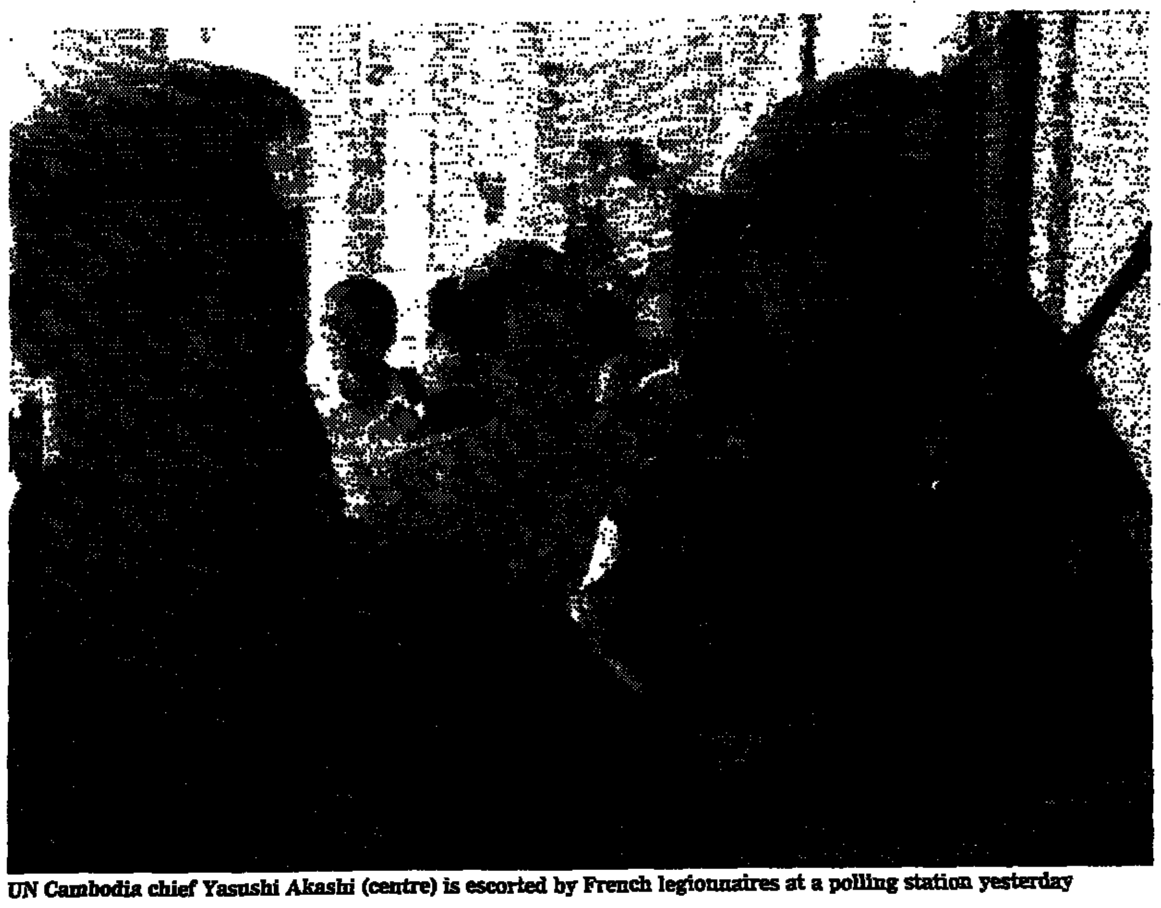
"We are interpreting [our constitution] to the maximum possible so that our government can contribute to international peacekeeping operations," admits one Japanese diplomat in Phnom Penh.

This stretching of the rules is confirmed by Japanese officers from the engineer battalion in Takeo. Faced with the threat of Khmer Rouge attempts to disrupt the election, the Japanese are mounting armed patrols around their camp, but they have to say publicly that they are just driving around and having a look. "In the Japanese area, it's not called a patrol, but it is a patrol," says one officer.

Japan has learned the hard way from Cambodia - where the Khmer Rouge has flouted a 1991 peace agreement – that peacekeeping is an unpredictable and dangerous business which demands flexibility rather than a set of rules insisting blindly on real peace as a condition for participation.

"I received a message from the secretary-general of the ruling [Japanese] Liberal Democratic party reminding me that the Japanese peacekeepers in Cambodia are still at the kindergarten stage," Mr Akashi, the Untac chief, told reporters recently.

"Even though they may seem to you very cowardly and timid, you have to give them time and experience," he said. "I am sure that in the future they can contribute very positively to peace in the world."



UN Cambodia chief Yasushi Akashi (centre) is escorted by French legionnaires at a polling station yesterday

KHMER ROUGE ALLOWS GUERRILLAS AND CIVILIANS TO VOTE

THE KHMER ROUGE surprised UN officials in Cambodia yesterday by allowing some of its own guerrillas and civilians living in its territory to vote in this week's election, only days after warning Cambodians not to go to the polls on pain of death, reports Victor Mallet from Phnom Penh.

About 200 Khmer Rouge cadres emerged from the wilderness to vote at Poipet on the Thai border on Sunday, UN officials said yesterday. In some districts the Khmer Rouge instructed its supporters to vote for Funcinpec, the royalist party and the main electoral rival to the Phnom Penh government.

The Khmer Rouge pulled out of a peace accord signed by the four main Cambodian factions in 1991 and threatened to disrupt the UN-organised elections, but it may have decided to renew ties with its old allies in the royalist camp in the hope of a Funcinpec victory.

Prince Norodom Ranariddh, the Funcinpec leader, and his father Prince Sihanouk, the former "god-king", have called for reconciliation with the Khmer Rouge, whereas the government says it will treat the guerrillas as bandits if it wins the election.

According to the UN Transitional Authority in Cambodia, between 60 and 70 per cent of those registered have already voted; the voting ends on Friday.

Palestinian curbs 'hurt Israel'

By Our Jerusalem Correspondent

ISRAEL'S treasury forecast yesterday that a closure imposed on the occupied territories two months ago is slowing Israeli economic growth in 1993 and accelerating inflation.

It said the closure, limiting the number of Palestinians from the territories allowed to work in Israel, had mostly hurt building and farming sectors.

The treasury report, given to Prime Minister Yitzhak Rabin's cabinet on Sunday, predicts the closure will slow economic growth by 0.5 to 1 per centage point while boosting annual inflation by 2 to 3 percentage points.

For the moment, however, the economic strictures are confined to the Palestinians.

At Rafah's fruit and vegetable market in the Gaza strip, dozens of boxes of loquats and peaches have been slowly spoiling for a week. "There are no buyers because there is no money. And there is no money because nobody in Gaza can work these days," says one of the market stallholders.

Introduced following the killings of 15 Israelis by Palestinians in March, the closure was initially welcomed by some Palestinians. Israel, they reasoned, was, in effect, returning to its pre-1967 borders, acknowledging that it could not guarantee its own security. Surely withdrawal could not now be far away.

But two months on, harsh economic reality has replaced such thinking. Before the closure, about 130,000 Palestinians from the occupied territories crossed the checkpoints daily to jobs in building, agriculture and industry inside Israel. Today, only about 45,000 have permits. The rest are jobless and, after Sunday's Israeli cabinet rejection of proposals to award them unemployment pay, increasingly short of cash.

Israeli security forces are concerned at the 'pressure cooker' atmosphere building up among jobless, impoverished, frustrated Palestinians

Palestinian economists told Mr Diter Turkmen, the visiting commissioner-general of the United Nations Relief and Works agency last week that they estimated the closure was costing them $5m a day in lost wages and other side-effects. "And with their depressed economy," noted Mr Turkmen, "that is a huge sum."

Sunday's cabinet meeting did approve the allocation of Shk30m (£7m) to create 20,000 jobs in the territories in the next two months. But even assuming that many jobs can be created so quickly, this would leave another 65,000 Palestinians out of work as a direct result of the closure.

Mr Rabin is apparently so delighted by the marked reduction in Palestinian attacks on Israelis since the closure began that he would like to maintain it for weeks if not months to come.

But the policy is facing growing opposition from a variety of sources. The UN secretary general, the UNRWA commissioner-general, the president of the International Red Cross and the US State Department have all in recent days urged Israel to ease conditions in the territories.

The Israeli security forces too, are expressing the concern at the "pressure cooker" atmosphere building up among jobless, impoverished, frustrated Palestinians.

US warns Saddam on Kurds

US secretary of state Mr Warren Christopher yesterday warned President Saddam Hussein of Iraq not to launch an offensive against Kurds in an autonomous enclave of northern Iraq, Reuter reports.

The New York Times reported yesterday that Iraq was massing troops and weapons along a 280-mile front line with the Kurdish enclave and was preparing to attack, possibly within the next two weeks.

Mr Christopher partially confirmed the report before meeting Mr Youssef Bin Alawi Bin Abdullah, Oman's foreign minister.

He said: "There have been some preliminary reports with respect to Iraqi troop movements and what I would say to Saddam Hussein is that we intend to enforce the United Nations resolutions with great resoluteness."

African country is darling of the World Bank, reports **Joel Kibazo**

Museveni seeks to lift Uganda's business profile

WHEN President Yoweri Museveni of Uganda opens today's Confederation of British Industry (CBI) conference on investment in his country it will mark a significant step forward in the rehabilitation of an economy that all but collapsed in the mid-1980s.

The country has since become the darling of the World Bank, thanks to its strict adherence to economic reform. In 1993, gross domestic product growth could be as high as 5 per cent. while tight monetary policy has brought inflation down from around 60 per cent last year to just 3 per cent.

"We think growth prospects are very good. The government is committed to the reform programme and it is making progress. In fact I think they are way out in front," said a World Bank official.

Although the figures make good reading, the government complains that the austerity programme has left little to spare for raising living standards. As a result, Mr Museveni is having to raise Uganda's business profile, after a decade which has seen investment flows to sub-Saharan Africa slow down to a trickle.

"We have to tell the world that we are new people in power" he said in an interview. "The atmosphere has changed over the last seven years we have been in power. Ugandans have stopped concentrating on killing each other and are instead ready to work."

Both the civil service and the once large army have been cut substantially, while dependence on the export of raw coffee, which last year earned the country $102m (£66.2m), has fallen to less than 75 per cent of total exports.

The country has lifted curbs on the repatriation of profits and instituted a one-stop investment authority to provide information and licences. The privatisation programme has also been stepped up, with many government-owned industries now for sale.

"I have seen great changes," says Mr Gerry Parfitt, partner at conference co-sponsors Coopers and Lybrand. "We think there is a lot of potential."

For all the praise, however, a catalogue of problems remains. A 1992 United Nations Industrial Development Organisation (Unido) study highlighted the cost disadvantages of Uganda's land-locked position, suggesting emphasis should be put on small-scale and resource-based industrial development.

Museveni: a duty to be done

The government has also failed to root out corruption, and the incidence of Aids remains a costly challenge.

Sporadic fighting in the north of the country and large numbers of refugees from the country's troubled neighbours of Rwanda and Sudan continue to place strains on an over-stretched administration.

The president also remains at odds with the donor community over multiparty democracy. "It brought us nothing but chaos," says Mr Museveni. "We are due to elect a constituent assembly at the end of the year, which will decide our form of government, and we shall have parliamentary and presidential elections. But I remain opposed to a multi-party system. We can still have democracy, but without parties."

He claims he has not decided whether to run for the presidency: "It is no fun trying to balance a budget without resources. It is not a privilege, just a duty which had to be done."

That said, some investors are declaring their confidence in the new Uganda that Mr Museveni has created. Mr Christopher Green, a director of Barclays Metals, which is developing cobalt bearing tailings in western Uganda, says: "We have sufficient trust in the changes for us to feel comfortable with investing."

Egypt expects to forge S Africa links soon

By Mark Nicholson in Cairo

EGYPT could move swiftly to establish diplomatic relations with South Africa once Pretoria names the date for its first all-race elections and establishes its advisory transitional executive council, Egyptian Foreign Ministry officials said yesterday.

Mr Pik Botha, South Africa's foreign minister, arrived in Cairo yesterday for a three-day visit during which he will discuss establishing diplomatic links with Mr Amr Moussa, his Egyptian counterpart.

These will be the first bilateral talks between the two countries. The South African minister's arrival in Cairo follows his tour last month to Jordan, Oman and Qatar. It underlines Pretoria's determination to increase trade and investment and develop political relations in the region.

Egypt, which formally applies the international embargo against South Africa, has very limited ties with the republic. These amount to the exchange of a handful of tourists and a small amount of informal import and export trade.

But Egyptian officials said that once an election date and transitional executive council – which will advise the South African government before the planned elections – were named, Cairo would see no great impediment to diplomatic relations. Parties to constitutional talks in South Africa earlier this month said they hoped to fix an election date by early next month.

The officials did not expect any progress on South Africa's desire to join the Organisation of African Unity, which will hold its annual summit in Cairo at the end of next month.

Chinese police fire tear gas at Tibetan protest

By Alexander Nicoll, Asia Editor

CHINESE POLICE yesterday fired rounds of tear gas for two hours to quell protests by several thousand people in Lhasa, the Tibetan capital.

It was not known whether there were casualties or how many people had been arrested. Westerners were confined to their hotels and police were patrolling the streets in strength last night.

A protest by about 800 people, apparently against price rises, began peacefully during the morning outside a main government building. The demonstrators initially met no response from police, but were eventually moved on.

During the evening, the crowd swelled to between 1,000 and 4,000 and attacked shops, almost certainly those run by Chinese, said Mr Robbie Barnett, director of the London-based Tibet Information Network. An influx of Chinese traders into Lhasa has aroused enmity among Tibetans.

Reuters news agency, quoting travellers in Lhasa, said protesters were throwing rocks at the police headquarters and chanted slogans calling for Tibetan independence.

Public demonstrations of Tibetan hostility to Chinese rule are rare because of tight control by the authorities. The protests came the day after the 42nd anniversary of the surrender document being signed following China's 1951 invasion.

A dozen senior European diplomats are due to produce a report on human rights in Tibet after a week-long visit which ended on Sunday. They had abandoned plans to hold a dinner for their hosts because of continuing arrests of Tibetan dissidents.

Eritrea achieves independence

Eritrea, the northernmost province of Ethiopia, yesterday formally declared itself the world's newest nation, AP reports from Addis Ababa.

President Isaias Aferwerki, the key leader in a 30-year war of independence, called it a "moment of joy and resurrection for Eritrea" and appealed to the international community for help to rebuild his young state.

Saudi ultimatum to Mecca pilgrims

Saudi Arabia has warned that it will severely punish anyone who passes out political leaflets, books or tapes during this year's pilgrimage to Mecca, Reuter reports from Dubai.

More than 700,000 Moslems from around the world including 100,000 Iranians have flocked to Saudi Arabia for the annual pilgrimage to Islam's holiest city.

World Bank plans $1bn loans to Pretoria

By Leslie Crawford

THE World Bank has $1bn (£650m) worth of development projects in the pipeline for South Africa. They will be implemented once a non-racial transitional government is in place, Mr Edward Jaycox, the World Bank's vice-president for Africa, said yesterday.

Mr Jaycox, who was on a brief stopover in London en route to the World Economic Forum in Cape Town, said the projects aimed to improve health, housing and education for South Africa's poor blacks.

The World Bank stopped lending to South Africa when international sanctions were imposed against Pretoria's apartheid regime. But after two years of talks with both the government and the African National Congress, Mr Jaycox said prospects for renewing relations with South Africa were "excellent".

Mr Jaycox stressed that World Bank loans to South Africa would not be on concessional terms, because of the country's relative wealth. The Bank's pledge follows similar promises of economic support for a democratic South Africa by Mr Warren Christopher, the US secretary of state.

The World Bank official was also keen to dispel the widespread image of the continent as a region of "victims and losers". For the first time in a generation, many countries were enjoying growth rates higher than the expansion of their populations.

He was confident that tough structural adjustment programmes were beginning to bear fruit, despite an adverse international economic climate and the lukewarm commitment of many African governments to reform.

حكام الأعمال

هكذا من الأصل

White House defends energy tax as rift grows

By Jurek Martin in Washington

THE Clinton administration opened the first of several critical weeks for its deficit reduction package by insisting, in the face of significant opposition in Congress, that it stood by the principle of a broad-based energy tax.

Following President Bill Clinton's weekend broadside against the "big oil lobby", Mr Leon Panetta, the budget director, said in a television interview yesterday morning that the president felt the energy tax was still central to the overall plan.

Senator Daniel Moynihan of New York, chairman of the finance committee, predicted that some form of energy tax would be passed on to the full Senate from his committee, although he conceded amendments to it could be made.

Senators David Boren of Oklahoma and John Breaux of Louisiana, both representing oil states, have qualified their opposition to the tax, based on the energy content of fuels measured in British thermal units (BTUs). However, Mr Boren, the principal sponsor of an alternative plan to put ceilings on social spending and increase taxes on the elderly, said he would still vote against the energy tax as it was now constituted in the committee.

Mr Breaux said he could support a straight petrol tax, but at a rate (eight cents to the gallon) that would generate less than half the projected $22bn (£14.2bn) a year revenue of the BTU tax once fully in place.

The Senate machinations have cast a cloud over the more imminent deliberations in the House, which is due to vote on the overall package, including the energy tax, on Thursday.

The general assumption has been that the bill will pass the House, where the Democrats have a comfortable majority, in spite of last week's rebellion by mostly conservative southern Democrats demanding deeper spending cuts and less reliance on tax revenues. As Mr Moynihan has indicated, the precise mix of the package may yet be altered.

> 'Sometimes, when you see a friend go astray, the best thing is to tell the friend the truth'

But even Mr Clinton's supporters in the House are concerned that their politically difficult vote on Thursday may be rendered null and void by subsequent amendments in the Senate.

Recalling that the House passed the economic stimulus package only to see it killed in the Senate, Congressman Craig Washington, a Texas Democrat, questioned whether members "are willing to fall on their swords again".

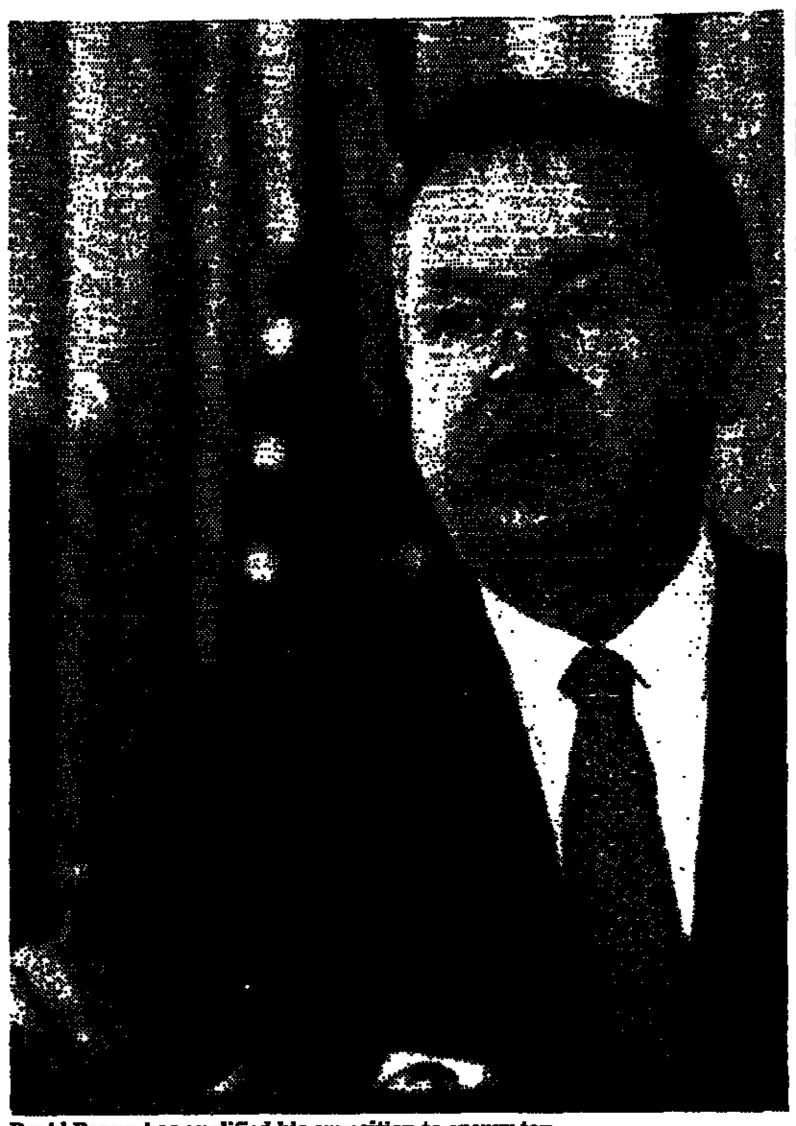
Among Democrats, fault lines other than that on the energy tax are becoming increasingly apparent over Mr Clinton's general approach to cutting the budget deficit.

Mr Clinton came to office as a self-proclaimed "new kind of Democrat", a believer in individual responsibility rather than the pre-eminence of government's role. But, in the opinion of old allies like Congressman Dave McCurdy of Oklahoma, he has become increasingly captured by the party's "tax and spend" and traditionally liberal forces.

It is the emphasis on new taxation – a contradiction of Mr Clinton's campaign promise to lower taxes on the middle classes – that most disturbs these centrist Democrats. Senator Boren, for example, has justified his opposition to the energy tax as a way of reminding Mr Clinton to go back to his roots.

"Sometimes," he said in a weekend talk show, "when you see a friend go astray, the best thing to do is to tell the friend the truth."

Mr McCurdy described his opposition to the president as "the most painful thing I've ever had to do in Congress."



David Boren: has qualified his opposition to energy tax

High interest rates attacked in Venezuela

By Joseph Mann in Caracas

MR Octavio Lepage, Venezuela's caretaker president, indicated yesterday that reducing the country's high domestic interest rates was one of his first priorities.

He said he would meet the board of the central bank in an effort to encourage it to "design measures to correct this problem immediately". However, given the independence of the bank, it was unclear how Mr Lepage would achieve a rate cut.

With annual inflation at more than 30 per cent in the past 12 months, Venezuela has real interest rates of 30 per cent or more for commercial loans.

Having met business leaders at the weekend, the acting-president also said he would review national economic policy and decide whether changes were needed.

Mr Lepage, a senator in the ruling Democratic Action party, was sworn in as acting president on Friday after President Carlos Andrés Pérez was suspended to face a charge of misuse of public funds. The trial will be before the supreme court, which is expected to take this week the first steps towards a hearing.

Mr Lepage admitted he was not "an economic expert" but said he believed Mr Pérez's unpopular free-market reforms ofthe past four years were "correct in strategic terms". However, he rejected what he called "dogmatism and the use of foreign models" in implementing "IMF-style" economic adjustments.

The acting president, although the focus of a controversy over how long he should stay in office, said the situation in Venezuela was "critical, but perfectly manageable". He admitted that the government was "weak" and needed a stronger base through some "national understanding" among the political parties".

Congress, caught in the storm over Mr Pérez, has not acted on bills aimed at economic and political reform. These include new taxes to help close the fiscal gap, reductions in the national oil companies' tax burden, as well as proposed reforms of the financial system.

UK asked to press for Haiti democracy

By Canute James in Kingston

BRITAIN will be asked this week to take a more active role in efforts to resolve the political situation in Haiti, and to encourage its European Community partners to support moves to restore democratic government to the Caribbean state.

The request will be put to Mr John Major, UK prime minister, by Mr Patrick Manning, his Trinidad and Tobago counterpart and chairman of the Caribbean Community. He will arrive in London today on an official visit.

"We have managed to get the matter to the United Nations, but we do not have a resolution of the Haitian situation," Mr Manning said. "We need the attention of the EC and to bring more pressure to bear", so as to resolve the dispute between exiled President Jean-Bertrand Aristide and the military which ousted him.

Mr Manning will also discuss with Mr Major the continuing concerns of Caribbean Community leaders over access of the region's bananas to the EC. He will repeat these concerns when he visits Germany this week. The Germans are unhappy with proposals from the EC farm ministers which would put under quota bananas imported from Latin America, while guaranteeing access for fruit from traditional suppliers in the African, Caribbean and Pacific Group.

The Trinidadian leader will also meet representatives of the British financial services sector and the oil industry, seeking investments in the Caribbean republic. His administration is trying to make the country the business and financial capital of the Caribbean.

Last month, the Trinidadian government deregulated the local foreign exchange market.

Frei on course for nomination in Chile

MR Eduardo Frei, leader of Chile's Christian Democrats, looks set to secure the presidential nomination of the country's ruling coalition after primary elections on Sunday, Reuter reports from Santiago.

He had about 60 per cent of the votes of more than 600,000 party members and supporters, with the count more than half complete, electoral officials said. His Socialist rival, Mr Ricardo Lagos, had about 40 per cent, the officials said.

Under the coalition's complex selection procedure, the votes on Sunday were assigned to delegates to cast at a final convention next Sunday. However, the winner last Sunday is sure of victory at the convention, where the coalition will unveil its campaign manifesto.

The winner of the primary, the first in Chile, which returned to democracy in 1990 after 17 years of military rule, will be the strong favourite to be the next president.

Opinion polls before the primary gave Mr Frei, from the same party as President Patricio Aylwin, some 49 per cent of national support, compared to 3.5 per cent for his nearest right-wing rival. The polls also showed support from the ruling coalition's left-wing parties could mean Mr Frei taking more than two-thirds of the presidential vote.

From Stockholm: President Aylwin, on a visit to Sweden, denied yesterday that he had ever endorsed the overthrow of President Salvador Allende in 1973, as maintained by some Chileans who fled to Sweden after the military coup.

Mr Aylwin, one of the main forces in the coalition which succeeded General Augusto Pinochet via a plebiscite in 1988 and elections later, said Chile owed Sweden a deep debt of gratitude for its solidarity during the dictatorship of Gen Pinochet.

Latin American growth 'slower'

By Stephen Fidler, Latin America Editor

ECONOMIC growth in Latin America outside Brazil will slow this year while the region's current account deficit will continue to widen, according to a new survey of economic and financial forecasts for the region.

The survey, published for the first time this month by the London-based Consensus Economics, reckons inflation (outside Brazil) will stay on its downward track.

Latin America, again excluding Brazil, will grow by an average 3.4 per cent this year and 3.6 per cent next year, compared with 4.5 per cent last year.

Including Brazil, which is forecast to grow 2.7 per cent this year following a 1 per cent shrinkage of the economy last year, growth in Latin America will accelerate to 3.1 per cent this year and next, from 2.2 per cent in 1992.

The region's current account deficit, excluding Brazil, will widen to $41.6bn (£27bn) this year and $42bn next, from $37.7bn in 1992.

The survey says Mexico's current account deficit will widen to $24.7bn this year and $26.5bn next, from $22.8bn. Argentina's current account deficit is forecast to come down from $7.8bn to $7.7bn this year and $7.2bn next. Brazil's surplus would shrink from $4.8bn last year to $3.1bn this year and $2.1bn next.

Inflation in Brazil – forecast to rise to 1,631 per cent this year from 1,129 per cent last – is expected to push average inflation for the region higher this year. Excluding Brazil, the trend is downward to an average 18.6 per cent this year and 16.2 per cent next year, from 23.1 per cent in 1992.

The survey, conducted among 60 international and domestic forecasters, will be repeated and published every two months.

Latin American Consensus Forecasts; Consensus Economics Inc. 49 Berkeley Square, London W1X 5DB; £325/$495 annual subscription (six issues).

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Private sector services and merchandise trade balance to be combined

US plans to broaden trade index

By Nancy Dunne in Washington

MR Ron Brown, US commerce secretary, is to clarify the US trade picture by ordering a new quarterly index which will combine private sector services and the merchandise trade balance.

He said in a letter to Mr Harry Freeman, executive director of the MTN Coalition, a US business group, that this would allow the US to move beyond the conventional definition of the trade balance. The department's statisticians were also "assessing the feasibility of producing monthly estimates of trade in goods and services," he added.

The new index, which will be introduced in June, will demonstrate the point that services lobbyists have long been stressing: that the US trade deficit is not as bad as it looks.

From the quarterly current account figures a new entry – called private services – will collate exports and imports from the US services sector, bringing in air passenger travel, inbound tourism, professional services, financial services, audio/video rentals, construction and engineering services, education of foreign students, and insurance and medical services.

In 1992 the trade in private services between the US and the rest of the world gave the US a \$59bn (£38.3bn) surplus. If this is subtracted from the \$96bn merchandise deficit, the trade deficit was \$37bn.

Trade in services is an important issue in the US relationship with Japan. In a defence of its trade regime, released last week by the Japanese Ministry of International Trade and Industry, Tokyo claimed its surplus had failed to take into account services, such as transport and travel. The US surplus in the services sector would grow, it added, as Japan was not competitive there.

Indeed, the US has been making slow gains in the balance of its trade in services with Japan – the surplus rose from \$8.9bn in 1989 to \$13.2bn in 1992.

This is likely to continue. The US had a \$10bn surplus last year with Japan in travel and passenger fares, one of the biggest growth areas for receipts. As long as Japan remains prosperous and expensive it is unlikely to draw more American tourists than the US does Japanese.

The US ran a \$2.7bn surplus with Japan on "other services" – which include telecommunications. Most telephone calls and data transmissions are initiated from the US, where the industry is deregulated and its services comparatively cheap.

The fifth largest US services export is education, a sector which includes thousands of students studying at US colleges and which holds growth promise.

Mr Freeman sees a time when US – and perhaps Canadian – schools will form consortiums to bring foreign students to North America for study in programmes funded by development banks or governments.

Hotels in Americas see better prospects

By Michael Skapinker, Leisure Industries Correspondent

HOTELIERS in the Americas are gaining confidence, but Europeans and Asians say prospects are gloomy, according to a survey by leisure consultants Horwath International.

It found that 54 per cent of North American hoteliers were more optimistic than they were six months ago, with only 8 per cent saying they were less optimistic. In Latin America, 70 per cent were more optimistic and none was less.

In Europe, only 20 per cent said they were more optimistic than six months ago, with 38 per cent saying they were more pessimistic. This was an improvement, however, over six months ago, when 10 per cent were optimistic and 48 per cent pessimistic.

In the Asia-Pacific region, the optimistic proportion shrank to 33 per cent from 36 per cent six months ago. However, the pessimistic proportion also fell – from 33 per cent to 15 per cent.

With the exception of North America, hoteliers worldwide said they had reduced their workforces and would continue to do so. In Europe, 68 per cent of hotels said they had reduced employee numbers over the past six months and 39 per cent said they would do so over the next six. Only 2 per cent said they had increased staffing levels over the past six months and only 13 per cent said they would do so over the next six months.

More than 40 per cent of Asian hotels had reduced workforces and nearly half intended to do so in the next six months. Even in Latin America, half the hoteliers said they had fewer workers than they had six months ago and 20 per cent said this trend would continue in the next six months.

Only in North America were staff numbers expected to rise, and then only slightly. Staff increases were planned by 24 per cent, with 23 per cent planning reductions in the next six months.

Cairns Group to press G7 over Gatt

THE Cairns Group of agricultural exporting countries is to hold a meeting next month aimed at pressing for agreement at the Group of Seven's Tokyo summit in July on a framework for completing the Uruguay Round this year, writes Alexander Nicoll, Asia Editor.

Mr Peter Cook, Australian trade minister, said in London yesterday that the meeting in Bangkok on June 26-27 would ensure the interests of the group's 14 members were reflected in Tokyo. He saw encouraging signs that Gatt talks were producing a "decent" market access package and that differences between the US and the European Community were being bridged.

G7 countries, he said, "must understand that other countries expect the outcome to be genuinely trade-liberalising, and that it will reflect the legitimate interests of all countries, not just the majors". The importance of agriculture must not be lost in the struggle to resolve differences between the US and EC, he added.

Review makes China a most fazed nation

Beijing waits anxiously on Clinton trade move, writes Tony Walker

BEIJING will be monitoring signals from Washington this week with more than usually obsessive interest. A decision on its Most Favoured Nation (MFN) trading status is due by June 3. Also in the melting pot is the likely course of the broader Sino-US relationship during the Clinton administration.

Chinese officials make no secret of their concerns that a narrow focus on issues surrounding renewal of China's MFN status – the principle of according equal conditions to all trade partners – at the expense of wider interests will deflect US policy makers from recognising what is at stake.

"We want to see more mutual confidence, less trouble, closer co-operation and no confrontation between us," Mr Jiang Zemin, China's party boss, said at the weekend.

Chinese officials have also been talking worriedly about what they perceive as a lack of direction in President Bill Clinton's foreign policy on such issues as Bosnia and international trade. They fear that China policy may also be prey to such a muddling approach, and differences on issues such as human rights and weapons transfers will prove more difficult to contain.

In the meantime, China has made some limited gestures to appease its human rights critics in the US, such as releasing several relatively high-profile dissidents from jail early, which Americans cynically refer to as the annual MFN releases, and hinting at a willingness to do more without being specific. The process has taken on the aspect of a fairly unedifying shell game.

China has also sought to address concerns about weapons transfers, assuring Mr Shimon Peres, the visiting Israeli foreign minister, that it was not selling missiles to either Iran or Syria. No mention was made of Pakistan, a recent recipient of Chinese missile technology and a country thought to have close defence links with Tehran.

Beijing would be well aware that the US administration has not completed its review of China policy to guide Mr Clinton in his decision next week. He is universally expected to renew MFN for 1993-94, but what is at issue is whether he will at the same time announce conditions on renewal for the next year. If he does so, trade-related investment is likely to be affected immediately.

If the Chinese were seeking clues to US thinking they might consider testimony given to the Senate foreign relations committee on March 31 by Mr Winston Lord, assistant secretary of state for East Asian affairs. "Our policy challenge," Mr Lord told senators, "is to reconcile our need to deal with this important nation with our imperative to promote international values. We will seek co-operation with China on a range of issues. But Americans cannot forget Tiananmen Square."

It is stark observations such as this that make the US-China business community nervous, raising as they do the spectre of tougher and more specific conditions on renewal of MFN than the Chinese may be prepared to live with.

Among the many provisions of a draft bill before the US Congress are: China should allow unrestricted emigration of political and religious prisoners; provide an acceptable accounting for and release of Chinese citizens detained, accused or sentenced as a result of non-violent expression of their political beliefs; and cease religious persecution in China and Tibet.

In Beijing, attitudes within the US business and official community seem to range from optimism to a lingering dread that a distracted Washington may miscalculate. Mr John Hart, president of the American chamber of commerce, believes that continuing uncertainty over MFN is affecting trade relations and if it persists US business is in danger of being disadvantaged.

"We think it's a fairly high risk game they're playing," Mr Hart observed. "The biggest problem, as I see it, is the climate of uncertainty. The situation is much more difficult this year than last when we knew what the scenario was going to be."

Mr John Frisbie, director of the US-China Business Council, a lobby group representing US business interests in China, takes a more sanguine view. "I don't expect Clinton to be extremely specific (on MFN conditions). Why would a president want to reduce his flexibility over a decision he is not obliged to make for a year."

The US-China Business Council has been at the forefront of lobbying efforts with the administration, arguing that trade with China has helped create 150,000 additional jobs in the US; and that the Chinese market with its insatiable demand for passenger aircraft is vital to the health of the American aerospace industry – an industry targeted for growth by Mr Clinton.

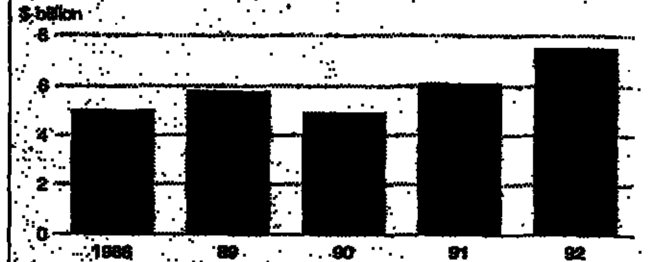
"This is not just American companies salivating over the China market," Mr Frisbie said. "The business presence here in all its forms has been the single most pervasive force for change in the past decade. To take that away would be counter-productive to the goals of those in Congress seeking to change China."

According to US figures, Chinese imports are \$25.7bn (£16.6bn) and the US market accounts for 25 per cent of China's global exports. Removal of MFN preferences may cause a drop of as much as 10 per cent in China's export earnings.

Previous articles on China's MFN status appeared on May 20 and May 22/23

The US stake in China

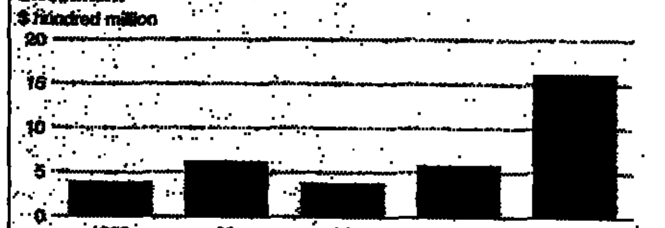
Sales



- Exports were worth \$7.5bn in 1992, up 10% from the previous year
- This trade created about 150,000 jobs
- The largest suppliers were the states of Washington, California, Texas, Florida, Louisiana and New York

Source: US Department of Commerce

Investment



- US companies have directly invested in more than 2,000 projects in China
- The contract value of these exceeds \$6bn
- The US is the third largest foreign investor in China, behind Hong Kong and Taiwan, and just ahead of Japan
- 1992 investments included:
  - General Motors: \$100m pickup truck joint venture
  - Gillette: \$50m razor and blade joint venture
  - Motorola: \$120m wholly owned electronic and communications equipment enterprise
  - PPG Industries: \$120m glass joint venture
  - Praxair: \$46m industrial gas joint venture

Source: US-China Business Council, Chinese Ministry of Foreign Economic Relations and Trade

Non-EC visible trade gap continues to narrow

By James Blitz, Economics Staff

BRITAIN'S visible trade deficit with countries outside the European Community narrowed again last month, amid fresh signs that the devaluation of sterling has given a sharp boost to UK exports.

In April, the value of imports from countries outside the EC exceeded the value of exports by £831m. The overall deficit, however, was £100m less than in March, underlining a trend which has seen the trade gap narrowing.

The better news on the trade balance was underlined by a sharp growth in export volumes in the last three months.

The Central Statistical Office (CSO) reported yesterday that total UK export volumes – excluding oil and erratic items – had grown by 6¼ per cent compared to the previous 3 months. By contrast, imports rose by only 2 per cent over the same period.

Yesterday's figures were seen as a further indication that the devaluation of sterling is helping to promote economic recovery by boosting Britain's share of export markets

The CSO's figures indicated that the prices of exported goods have returned to the levels that they had been at when the year began. This implies that exporters have not used the devaluation of the currency to the very low levels seen in the spring as an opportunity to mark up prices.

The CSO's figures also indicate that UK exporters are winning a greater share of markets outside Europe, whose economies are continuing to fall into recession.

For the first time since May 1992, the UK registered a trade surplus with North America in April. UK traders registered a seasonally adjusted surplus of £85m compared with a deficit of £43m in March.

The UK is also increasing the volume of its exports to developing economies, in a trend which has continued unbroken since November of last year.

And the trade balance with the non-EC part of Europe also improved from a defeicit of £685m in March to one of £603m in April. This was the result of a steep decline in imports, however, which accompanied a fall in exports from £789m to £759m.

Mr Kevin Gardiner, an economist at S.G. Warburg, said the figures underlined that the UK's Gross Domestic Product would show an increase in the second quarter of this year.

"The UK is winning market share even though econoimies in the rest of Europe are slowing down," he said.

Since the beginning of the year, the CSO has not provided data for UK trade with European Community countries because a new system is being introduced.

Government to unveil plans for Europipe scheme

By Deborah Hargreaves in London and Karen Fossli in Oslo

MR TIM EGGAR, energy minister, is expected to announce in the House of Commons today the publication of a prospectus for the £300m gas pipe project between the UK and the continent.

A group of companies including British Gas, British Petroleum and Norway's Statoil have been involved in an initial feasibility study which could involve the export of UK gas to continental Europe.

Mr Eggar should set out details of the so-called Europipe venture in an effort to gauge the amount of interest among energy companies for the private-sector project.

A steering committee of seven companies involved in the initial technical studies are considering a plan to build a pipeline between Bacton, on the west coast of England, and Zeebrugge in Belgium, with export capacity of 15bn cubic metres a year, or a third of current UK output.

Some companies, however, are not sure of the viability of such a scheme. Statoil said yesterday it had not yet decided whether to participate in the interconnector project.

Mr Eggar is understood to have told the companies involved that the UK government is ready to negotiate a treaty with the Belgian authorities about the proposed Europipe linking up with the Belgian national grid.

The government is keen for the project to go ahead and is linking the success of the venture with a decision to allow additional supplies of Norwegian gas to the UK. But there has been some scepticism about the viability of the project because it is unlikely the gas could compete with low-cost supplies from Russia.

Other companies involved in the plan include Norsk Hydro, the Norwegian resources group, Elf Aquitaine France's energy group, Conoco UK and Distrigaz of Belgium.

The UK government is linking the Europipe project to ratification of a deal between electricity generator, National Power, and Statoil to import Nkr20bn gas supplies over the next 15 years.

Generators may face monopoly inquiry

By Michael Smith

THE TWO main electricity generators in England and Wales were warned by the industry regulator yesterday that they could face a monopolies referral if they failed to explain adequately why their prices have risen since March.

Professor Stephen Littlechild, director general of the Office of Electricity Regulation (Offer), who is also investigating the generators' costs and margins, has said he will decide on a referral to the Monopolies and Mergers Commission by 1995.

Speaking as Offer published its annual report, Prof Littlechild said improvements in the industry since privatisation included a sharp reduction in domestic disconnections – down 62 per cent in Great Britain between 1991 and 1992 – and the growth of electricity supply competition.

The main area of difficulty was the market power of National Power and PowerGen, the two main generators, he said, even though competition was increasing through the expansion of independent power plants.

The generators had so far failed to respond to an Offer request for an explanation why prices in the electricity wholesale pool had risen in April and May, he added. The pool is the mechanism by which electricity is traded in the UK.

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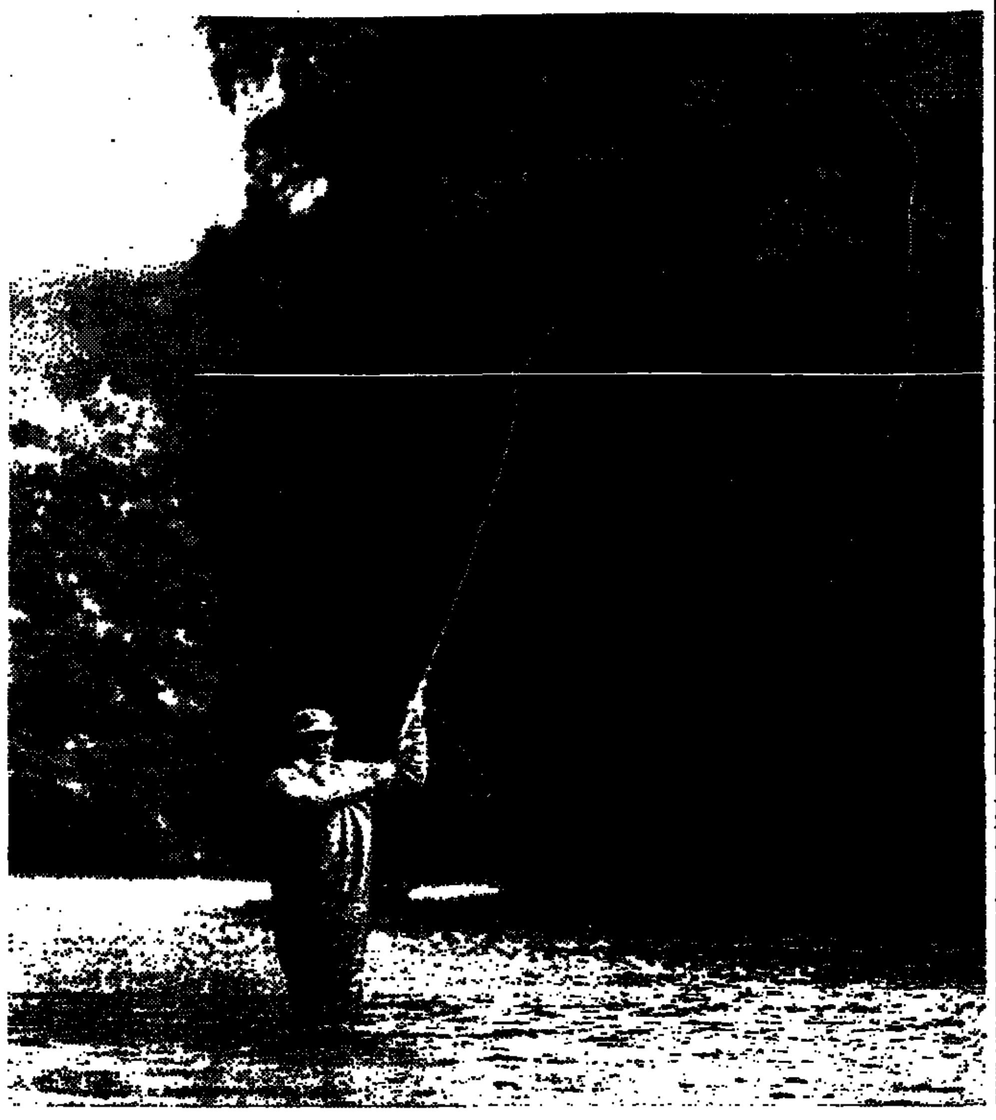

BRITAIN'S anglers fear they may be faced with a fourfold increase in the price of the annual salmon and sea trout rod licence as the National Rivers Authority tries to find new sources of revenue, writes David Hellier.

The NRA is looking at ways of raising income to meet the £24m cost of fresh-water fisheries in England and Wales. The current annual salmon and sea trout rod licence is £13.25.

The NRA has said that all reports are "speculative" but privately NRA officials point out that salmon licences in the 10 regions which formerly sold their own licences used to be far higher than the current national charge.

In Scotland, pictured, charges are set by local fishing authorities and vary widely. The seven River Purification Boards do not, like the NRA, oversee fishing.

Academics criticise technology teaching

By John Authers

THE QUALITY of technology teaching in England and Wales compares poorly to courses available in Germany, the Netherlands and Switzerland, according to the National Institute for Economic and Social Research (NIESR).

The national curriculum – the standard course used in most schools – presented "great difficulties in teaching" technology and left less academic children "disadvantaged and de-motivated", the research group claimed.

In a research article for the NIESR, academics Ms Helvia Bierhoff and Mr Sigmund Prais criticise technology teaching in the last two years of compulsory schooling for being too intellectual, and requiring pupils to work in a broad range of materials.

The authors prefer the continental approach of concentrating on practical subjects. They say this approach is more successful in preparing average and below-average ability children for later specialised vocational training.

They found that continental schools allowed a third (or more) of their pupils between the ages of 14 and 16 to do systematic courses in specialised disciplines, such as woodwork, metalwork and textiles. Continental employers believed pupils taught this way were more motivated.

New proposals for the national curriculum published at the end of 1992 would encourage higher quality work by allowing greater specialisation and more practical work, according to the report, but it suggests that schools are not equipped with the specialised workshops and teachers needed.

Britain in brief

N Ireland airport to be sold

The government confirmed it would sell Northern Ireland's largest airport, Belfast's Aldergrove.

A six week consultation period will be followed by legislation in autumn. The government's advisers hope the sale will take place in the summer of 1994 and will fetch between £25m and £40m.

The sale will probably to a single buyer or a consortium rather than by flotation on the Stock Exchange, which would cost too much in relation to the likely proceeds.

Aldergrove, also called Belfast International, is owned by Northern Ireland Airports, and last year handled about 2.17m passengers, making it the seventh largest in the UK.

It made a pre-tax profit of £2.14m on turnover of £21m and last month announced the start of scheduled services to New York.

Possible bidders include Canadian transport group Bombardier, which owns both Short Brothers, the aircraft manufacturer, and the Belfast City airport.

● Mr Jonathan Aitken, defence procurement minister, announced completion of plans to dispose of Farnborough airfield, west of London. The biennial air show would continue but tour operators, recreation and training flights would not be allowed.

UK cinemas in comeback

The cinema is making a strong comeback in the UK with attendances higher last year than in any year since 1980, according to a survey of the latest cultural trends in the media.

More than 60 per cent of the population aged 7 and older go to the cinema, and more than 30 per cent of the 15-24 age group do so once a month or more. The estimated total audience last year was 101m, according to the independent policy Studies Institute.

Record sales of Unit Trusts

Net sales of unit trusts in April reached their highest level since the stock market crash of 1987, according to figures released by the Association of Unit Trusts and Investment Funds.

Gross sales in April were £1,592.9m, while repurchases from investors were £637.8m. The net sales figure was thus £955.1m. Funds under management were pushed to a record level of £71.77bn.

The reductions in interest rates seen since Britain left the Exchange Rate Mechanism have undoubtedly helped the unit trust industry, as returns on equity products now closely match those available from building societies.

Income from a unit trust personal equity plan is also free of tax.

Figures published last week, however, showed that building societies also had a good month in April, with a net inflow of £1.07bn.

The evidence seems to indicate that Britons are saving more, perhaps because of cuts in mortgage rates.

Among the unit trust sectors, the biggest sales were achieved by UK equity income and UK growth funds.

Science plan for industry

The Science and Engineering Research Council launched an Innovative Manufacturing Initiative, to tailor its research projects more closely to industry's needs.

An industry-led panel chaired by Mr Stewart Miller, engineering and technology director of Rolls-Royce, will work over the next six months to define the nature and scope of the programme.

Swiss Re seeks reduced cover

UK insurers could come under pressure to reduce cover for storm damage to homes, a conference on global warming and catastrophic weather losses was told.

Mr Jeremy Hindle, a senior underwriter with Swiss Re, the world's second largest reinsurance company, said that the excess (the amount a policyholder pays of any claim) on household buildings policies "must be raised to £250 immediately, with a move to £1,000 being the target."

Swiss Re is one of a number of reinsurers providing cover to UK insurers. Householders, currently pay a compulsory excess of £50, although some insurers offer discounts on premiums for customers who choose to take a higher excess.

Chinese food outlets group

The Chinese Takeaway Association was launched to represent the UK's 10,000 outlets. The association plans to award star ratings to takeaways in a bid to encourage higher standards.

Mr Dennis Chow, an environmental health consultant who is one of the directors, said: "Chinese takeaways are usually small family businesses and so far there has been no one to speak for them. We shall be visiting them over the next six months and giving help where it is needed."

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Major tries to calm storm on spending cuts

By Philip Stephens, Political Editor

MR JOHN Major, the UK prime minister, last night sought to calm the political storm over the Treasury's scrutiny of state benefitswith an assurance that its conclusions would respect "the spirit as well as the letter" of his election manifesto.

In a wide-ranging interview with the Financial Times during which he rejected attacks on his leadership style and left open the possibility of a cabinet reshuffle, the prime minister defended the spending review as essential to allow the government to "save where we can, to spend where we must".

Speaking last night in 10 Downing Street, Mr Major also hinted that the looming summer cabinet battle over next year's public spending round could prompt the government to renew its formal pay rise ceiling for public sector workers. Extension of the 1.5 per cent ceiling is opposed by the Treasury.

But he insisted that the government's decision to examine the principal of universal welfare benefits was not designed to restrict payments to those on state income support.

Acknowleding the concern of people – particularly the elderly – whose income keeps them above the social security net: "We do have a particular concern for people on modest incomes who have worked through their lives to provide for themselves rather than depend upon the state".

He added: "What we are not in the business of doing is sweeping away necessary spending. But we can't let the [public spending] total grow faster than the economy can support".

Clearly stung by the political uproar in recent days over the spending review he added: "We are emphatically not targetting special reductions on the poorest and most vulnerable members of society. We have a responsibility to the poorest and most vulnerable members and we will meet that.

Mr Major, facing criticism for his stewardship of the public finances, denied that the huge rise in the public sector borrowing requirement to £1bn a week was a result of his government's failure. He said: "It is a combination of two things I think. One is the collapse in income [from tax revenues], and secondly predominantly the acceleration in expenditure that invariablely occurs during a recession if you are to protect the people who are hurt by a recession...So I emphatically reject the idea that some wild spending spree created the deficit".

● A fuller account of the John Major interview will appear in tomorrow's FT. In it, the prime minister sets out his agenda for change in the European Community.

Evidence on arms affair 'suppressed'

By Jimmy Burns and David Owen

SIR Patrick Mayhew, the former attorney-general, tried to prevent evidence about the Iraqi supergun affair coming to court, a former vice-chairman of the Conservative Party said yesterday.

Sir Hal Miller, a former MP, told the Scott inquiry into the arms-for-Iraq affair that Sir Patrick had tried to dissuade him from giving evidence in support of a businessman accused of illegally exporting parts for the gun.

He said he had approached Sir Patrick soon after Mr Peter Mitchell, the managing director of West Midlands company Walter Somers, had been charged with export offences linked to the gun.

Sir Hal had been prepared to produce records of conversations with an intelligence officer and officials of government departments.

He said he had met Sir Patrick, who is now Northern Ireland secretary, in the House of Commons lobby. "I was seriously concerned about these people [Walter Somers]. They had done nothing wrong and were going to jail."

Whe he said he would defend Mr Mitchell in court if necessary, Sir Hal said Sir Patrick had said "You wouldn't do that would you?" He had replied: 'Just watch me."

Charges against Mr Mitchell were withdrawn after customs officers were advised by government law officers that they had less than a 50 per cent chance of securing a conviction.

ECGD condemned over £41m oil rigs loss

By David Dodwell, World Trade Editor

BRITAIN'S Export Credits Guarantee Department (ECGD) was yesterday condemned by the parliamentary public accounts committee for making losses, wrong judgments, failure to observe Treasury rules, failure to report fraud, and failure to keep records.

Criticism arose during interrogation over a bad debt, disclosed in the ECGD's most recent report and accounts, involving a Mexican oil rig operator, in which the ECGD has lost £41.4m, and become the accidental owner of two oil rigs.

Mr Brian Willott, head of the ECGD since January 1992, conceded yesterday that the case was a "built in disaster". Admitting to the "very large number of serious management failures" listed by Mr Robert Sheldon, chairman of the public accounts committee, Mr Willott insisted that the ECGD had taken steps to tighten both its claims, and underwriting procedures: "The lessons of this case are branded rather deep in the collective conscience of the ECGD," he said.

The case dated back to 1980, when the ECGD insured loans totalling $53.5m for the Mexican company Perforaciones Maritimas del Golfo (Permago) to buy two oil rigs being built by the Marathon yards in Scotland.

The case turned sour almost immediately after delivery in 1982, when drilling contracts for the rigs in Mexico were cancelled, and the company defaulted on loan repayments.

Over the next ten years, the ECGD opted to refinance the company, rather than press for sale of the rigs; discovered two frauds linked with Permago, which it chose not to report to the government's Fraud Investigation Branch; failed to keep records of meetings about the case; and provided overdraft facilities in contravention of Treasury rules.

It made the refinancing decision without seeking advice on prospective oil price movements – critical to the likely profitability of the rigs. It failed to have departmental lawyers present in negotiations with Permago.

Mr Willott did not even pay "serious attention" to the case until July 1992, six months after assuming office, he told the committee.

In February this year, the ECGD repossessed the rigs, but not before a lack of maintenance resulted in repair costs rising from $500,000 to $5m. It is now trying to sell the rigs, and hopes to recoup between £12-20m – leaving taxpayers to carry a net loss of between £20 and £30m.

Mr Willott admitted that for most of the period concerned, the ECGD had failed to consult with other government departments, since "it tended to regard itself as having the sole expertise in this area. We are now less reluctant to consult others." He conceded that no-one in the department had been punished for the mistakes, but said that all concerned had now retired.

● Mayhew says IRA will not win ● Protestant backlash feared

Cost of bomb damage put at £22m

By Tim Coone in Dublin

THE four terrorist bombs detonated in Northern Ireland since last Thursday will cost the UK government an estimated £22m in compensation, according to estimates released yesterday by the Northern Ireland Office.

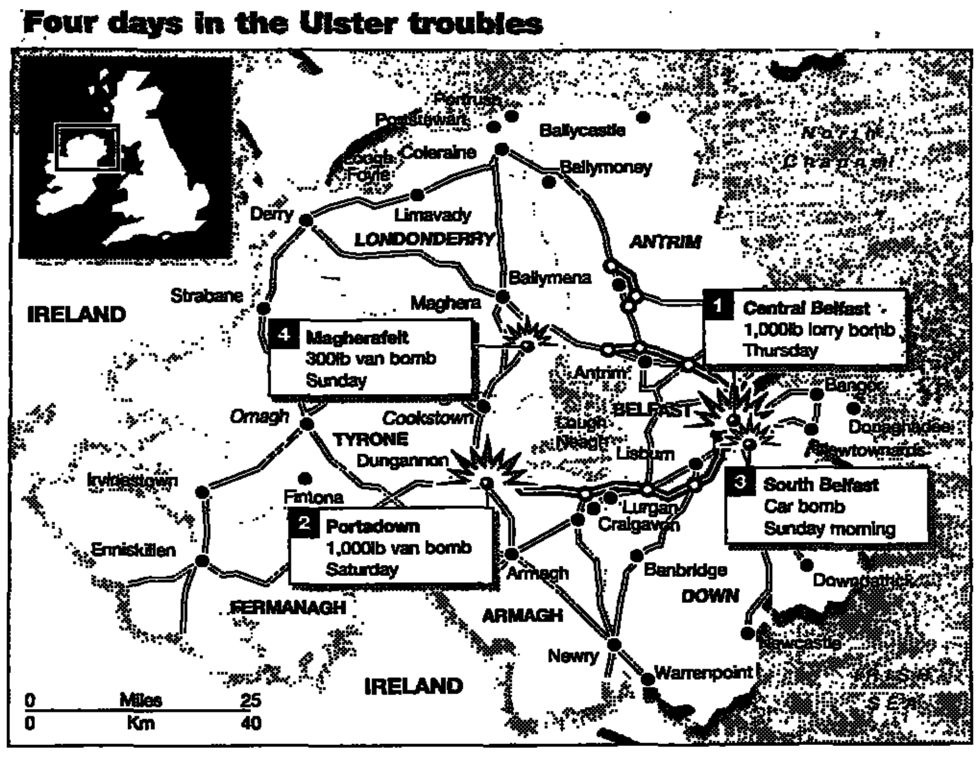
The recent bombing campaign escalated last Thursday when a 1,000lb bomb exploded in central Belafast, causing damage put at £6.5m to surrounding buildings including the the headquarters of the Ulster Unionist Party.

Another 1,000lb bomb caused £8m of damage on Saturday when it exploded at a shopping centre in Portadown, County Armagh. The next day a 300lb bomb caused £2.5m in damage to the Drumkeen hotel in Belfast, and was followed in the evening by another 1,000lb bomb in Magherafelt, a town near Derry, causing £5m in damage.

Speaking in Derry yesterday, Sir Patrick Mayhew, Northern Ireland Secretary, said: "We have been through a hard period of four days. There may be more to come, I cannot guarantee that there will not. I can guarantee is that the IRA [Irish Republican Army] are not going to succeed."

The new IRA bombing campaign has met with predictable calls from unionist leaders for a return of internment of IRA suspects.

Four days in the Ulster troubles



Mr Sammy Wilson, a spokesman for the Democratic Unionist Party warned at the weekend that "many sincere young men" from the Protestant community will take the law into their own hands if the security forces do not crack down on IRA suspects.

Mr Mayhew, who conferred with senior police and army officers in the province yesterday, is unlikely to be rushed into precipitate action. When internment was first used in the 1970s it provoked a violent backlash from the nationalist community and was condemned by the Dublin government.

Today, Mr Mayhew and Mr Dick Spring, the Irish foreign minister, meet in Dublin in the latest of the series of Anglo-Irish conference meetings, at which security officials from both sides will be present.

The main item on the agenda will be how to get the province's political parties back around the negotiating table to discuss a new political framework for Northern Ireland.

Government aims to head off BR revolt

By Ralph Atkins and Richard Tomkins

MINISTERS were last night confident of heading off a parliamentary revolt over British Rail privatisation as they neared agreement with rebel Tory MPs over protection for concessionary fare schemes.

A compromise plan, that may require rail franchise operators to provide discount fares for the elderly, families and young people, is likely to be announced by Mr John MacGregor, transport secretary, when the Commons resumes debate on the Railways Bill today.

Mr MacGregor, whose conciliatory approach appeared to have calmed many of the potential rebels' concerns, held a series of individual meetings with MPs yesterday and will hold more today.

Yesterday the transport secretary also announced that BR's passenger services would be divided into 25 geographically based business units which would ultimately be taken over by private sector franchisees.

Mr MacGregor predicted that the first franchises would be handed over to the private sector in the second half of next year.

He confirmed that overseas railways such as SNCF, the French national railway, would not be precluded from bidding.

Sharp retail price rises forecast

By Emma Tucker, Economics Correspondent

RETAIL prices are likely to rise sharply by the end of the year as inflation pushes through the upper limit of the government's target range, the National Institute of Economic and Social Research said yesterday.

In its latest quarterly review of the UK economy, the institute predicts that underlying inflation – the retail prices index excluding mortgage interest payments – will be just over the top of the government's target range of 1-4 per cent.

Inflation will be forced upwards by a 10 per cent rise in import prices over the year, it adds.

The institute's expectations for growth are unchanged since the last forecast in February. It expects the British economy to grow by 2 per cent this year, and by 2.8 per cent next year.

It suggests that the trade deficit is widening at the moment and "may well be over 3 per cent of GDP for the year as a whole". Growth next year will be fuelled by strong investment and consumption as the main effect of recent interest rate cuts feeds through.

Writing the norms for products and services is moving centre-stage, writes **Charles Batchelor**

Standard bearers

Creating standards for industry is the essential but humdrum task of an army of committees. Now, however, a rumbling controversy about one particular UK standard, BS 5750, regulating quality assurance systems, has focused attention on the standards and the organisations which write and police them.

Small firms have complained that BS5750 is unduly bureaucratic and is being foisted on them by their large customers. Others say the standard has been widely misunderstood as guaranteeing product or service quality, whereas it really only guarantees consistency in the way systems are operated.

At the same time, the establishment of the single European market and the prospect of the enlargement of the European Community have increased pressure on the committee draughtsmen to produce a pan-European library of standards so that products and services can cross borders more easily.

This spotlight on the traditionally low-key world of standard-writing has revealed the intensely commercial nature of the standards industry. Creating, monitoring and testing standards can be big business for the organisations involved and can produce lucrative spin-offs for the consultants who help companies meet the criteria set.

In a broader context, nations can gain a crucial competitive advantage by ensuring that their standards are the ones which determine international norms. Britain, France and Germany have each been responsible for drawing up more than 20 per cent of international standards.

The Japanese, for all their well-earned reputation for manufacturing quality, have contributed only about 2 per cent but are showing an increasing interest.

US standards organisations, meanwhile, are fragmented and lack a coherent voice in international standard-setting.

Despite the importance of standards to industry, the process by which standards are created and the organisations involved in the task are a mystery to most outsiders.

The picture is made no clearer by the range of overlapping national, European and international bodies involved and the pea-soup of acronyms used to label the organisations and the standards they produce.

In Britain, for example, the British Standards Institution, co-ordinates – but does not control – the writing of new standards. At the European level, most standards are set by CEN, the European Committee for Standardisation, but electrical products and telecommunications have their own organisations.

International standards, in turn, are set by the Geneva-based International Organisation for Standardisation (ISO).

Once again, however, electrical standards are created by a different organisation. The result is that the same standard can appear in many different guises. BS5750, the British quality assurance standard, pops up in continental Europe as EN29000 and on the international stage as ISO9000.

BSI is unique among world standards organisations in having responsibility for overseeing the writing of standards as well as the capacity to test products to see they meet the standard and to certify companies. Its counterparts in Germany, DIN, and France, AFNOR, restrict themselves to standards writing.

The breadth of BSI's activities, and its status as an "institution" incorporated by Royal Charter, provide the organisation with a considerable marketing advantage. In fact, testing and certification are intensely competitive and there are no fewer than 26 organisations which have been accredited to certify products and companies.

Some are small, newly created consultancies, while others are large, long-established companies such as SGS Yarsley, Lloyd's Register Quality Assurance and Bureau Veritas.

"BSI does nothing to reduce the impression [that it has a special status] but we compete by being more efficient, offering a better service and on price," says Ian Williams, UK chief executive of SGS Yarsley. "We aim to give our client more than just a certificate on his wall."

Just who can issue certificates is also a subject of some complexity. In theory anyone can set up in business to check that companies meet a particular standard. In practice the certification companies must themselves be accredited. In the UK this is controlled by the National Accreditation Council for Certification Bodies but accreditation is catching on around the world.

The council does not give blanket approval to a certification organisation but accredits them by industry. BSI is accredited for 900 of the 1,000 or so standard industrial classifications. SGS Yarsley has made a speciality of the health care and software sectors.

Despite the move to creating more European standards, certification and testing are still carried out on a national basis and seals of approval and certificates are not always acceptable to customers in other countries.

It was to overcome this problem that the European Organisation for Testing and Certification was set up, after a two-year trial, last January. The aim is to persuade testing laboratories and certification bodies to recognise each other's work and agreement has already been reached in the information technology and electrical sectors.

The UK already has some 11,000 standards covering everything from the dimensions of twist drills, through the lower explosion limits of coating powders and methods of testing cereals, to the fungal resistance of wood panels. In addition, there are about 2,500 European standards, though many overlap.

Despite these impressive numbers there is no slackening of demand both for new standards and the updating of old ones. "There is always more demand than we can meet, and the single market and new technologies mean it will go on increasing," says Michael Sanderson, BSI chief executive. Requests for standards come from government departments – the Treasury has put in a request for a credit management standard – from individual companies and from trade associations.

When a request comes in, BSI's standards-making division puts together a drafting committee made up, where appropriate, of manufacturers, purchasers, local authorities, government departments, trade associations and consumers. Representatives give their time free and do not claim expenses.

No fewer than 35 organisations sat on the committee which last year drew up BS7750, specifying environmental management systems. "It can be a thankless task, trying to bring together mutually antagonistic forces," comments Sanderson. "But we have been doing it for 90 years and we have got quite good at it."

Once a draft has been agreed, it is made available for public comment for a three-month period. It is often difficult to achieve agreement at a national level, but a further complication is added if, as frequently happens, the standard has international implications. BSI will then send a representative to CEN or ISO to steer the standard through the European or the international discussions.

From gleam in the eye to published document takes, on average, two years in the UK, four years in Europe and more than six years at international level, says Sanderson. He claims that Britain has a better record than many other countries for piloting European and international standards through the committee maze on time and close to the original specification.

Once a standard has been written, companies may buy a copy and then apply its criteria to their products or services or their entire operation. If they can meet the standard's specifications, they may then attach the appropriate seal, often in the UK the BSI's Kitemark.

Regular testing and inspections continue for as long as the company continues to comply with the standard. In theory, companies could falsely claim compliance but competitors will be quick to point this out. Customers also provide an important control mechanism and local authority trading standards officers keep a close watch.

Despite their importance to industry, standards have been very much a back-room activity, largely because each one is specific to a particular industry sector.

But, as more and more "horizontal" standards are created, covering areas such as quality assurance and environmental management and applicable to companies across a broad swathe of industry, they will move to centre stage.

The birth of a standard

Accidents are a trigger for improving standards...

Government can call for action...

BSI initiates the debate...

Committee hammers out details...

The international dimension may prompt further negotiations...

BSI publishes the new standard...

Companies adopt standard...

...Have the right to use Kitemark and ISO mark

Back on the track at BSI

British Standards Institution. The title conveys a feeling of solidity, establishment, of being above the commercial fray. In fact the BSI has a monopoly in only one area of activity – that of standard writing.

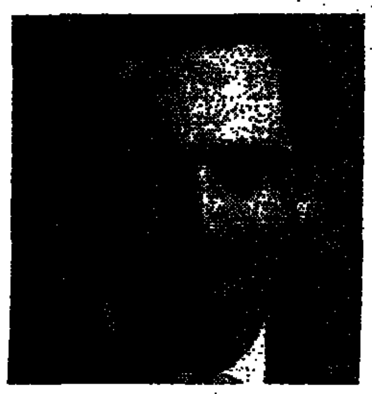
In the fields of testing and certifying products and companies, BSI faces tough competition from a range of commercial rivals. Even so, the widespread recognition in industry of BSI and its kitemark seal of product approval do give it an advantage in the market place.

On the international scene, BSI's dominance of standard setting and the range of its other activities also give it an undoubted advantage over its continental counterparts such as DIN in Germany and AFNOR in France, says Michael Sanderson, chief executive (pictured below).

Established in 1901 as the Engineering Standards Committee, the BSI has a wider range of activities than any of its national or international rivals.

BSI also avoided the split between the electrical sectors and the rest of industry which has marked other standards organisations. These arose because the International Electrotechnical Committee was founded in 1907, 40 years before the International Organisation for Standardisation, responsible for all other industry areas, and has never merged. All the standards organisations which were subsequently set up mirrored this split.

One of BSI's first actions was to bring order to the manufacture of structural steel sections used to make tramway rails. Within a year



of the introduction of a kitemark for tramway rails in 1903 the number of steel sections used had fallen from 75 to five and industry made an estimated saving of £1m a year.

Despite Britain's early lead in standard setting, quality slumped after the Second World War. It was a realisation of just how far standards had slipped which prompted a revival of interest in the 1970s and the creation of BS5750, a quality assurance standard, in 1979.

That standard has proved phenomenally successful for BSI and quality assurance work, certifying, approving and testing companies to BS5750, accounted for 45 per cent of BSI's total 1992 turnover of £74m and nearly two-thirds of its £7.5m operating income. The growth in quality assurance work is almost solely responsible for the rapid rise in staff numbers to more than 2,000 in the past two years.

BSI's monopoly of the standards setting business gives it an undoubted advantage in the market for its other services but also helped foster a sleepy, bureaucratic atmosphere. A programme to improve efficiency was launched in the late 1980s. A layer of committees has been removed and a smaller main board created.

In the early 1980s BSI made an unsuccessful attempt to gain a monopoly over certification, alongside its existing exclusive mandate for standard-setting, but was rebuffed by the government. This has no doubt played a part in its becoming more commercial.

BSI, 2 Park Street, London W1A 2BS. Tel: 071 629 9000.

Furnishing a label of quality

Bernstein Group, a manufacturer of fitted kitchens, faced a problem common to many companies. Its products met half a dozen British Standards governing matters such as strength and hinges and it had qualified for the FIRA Gold Award, a furniture industry quality label.

But while the FIRA award, introduced in the early 1980s by the Furniture Industry Research Association, was well known in the industry, it was not familiar to most of Bernstein's potential customers. Bernstein needed a more readily recognizable quality label.

At the same time, FIRA and the British Standards Institution felt fitted kitchens would benefit from a purpose-designed British Standard. This would allow BSI to create a Kitemark which manufacturers could place on their products.

At FIRA's prompting BSI put together a furniture industry committee which wrote BS6222, covering domestic kitchen equipment. The first part, relating to the strength of the "carcass" was published last year and further parts, covering surface finishes, adhesive bonding, humidity performance and packaging are due to be finished shortly.

Bernstein, a Manchester-based company with sales of £100m and a workforce of 950, did not have to change its kitchens because it already met the existing, fragmented standards and it had also qualified for BS5750, covering its quality systems. BSI now insists that companies seeking Kitemark approval also have BS5750.

Bernstein became the first fitted-kitchen manufacturer to obtain the Kitemark last August though it has since been joined by a second company, Hygena. Maintaining the

Fitted kitchens now benefit from a purpose-designed British Standard

Kitemark involves two visits a year from FIRA, which has been authorised to carry out regular tests by BSI and costs about £1,500 a year, says John Atherton, Bernstein's quality systems manager. (Though initial testing of a kitchen range could costs between £5,000 and £10,000).

It is difficult to quantify the impact of the Kitemark on sales, he says but he is happy to have a better-known quality label.

FIRA is aware of the problems national industry organisations face in getting their quality labels better known. "The problem for organisations like FIRA is we can't afford a massive national promotion," says Colin Aitkenhead, chief executive.

It was partly for this reason that FIRA became a co-founder, 18 months ago, of the European Association of Research Institutes for Furniture, linking 12 national organisations. The European furniture industry is awash with national labels including the FIRA Gold Award, the möbelfakta label used in the Nordic countries and the French Norme Francaise.

The European association hopes to achieve an agreement on mutual recognition by the different national organisations and is working on creating a common label for furniture. But these hopes depend on the creation of European standards for furniture manufacture and these are still some way off.

International glossary

Marks of distinction

ISO, the International Organisation for Standardisation. Set up in 1947, the ISO is a federation of 96 member countries which appoint committees to establish international standards. More than 8,600 international standards have been created.

Responsibility for heading each standards committee is allocated to a country with experience in that area, with the result that seven members carry out 90 per cent of the work. Germany leads with 24 per cent of standards work, Britain with 23 per cent and France with 22 per cent.

If the ISO creates a standard this takes precedence over national or European standards. The only area where the ISO is not active is in the electrical industry. Electrical standards are the responsibility of the **International Electrotechnical Commission**, set up in 1907. International standards carry the ISO prefix.

CEN, the European Committee for Standardisation. CEN groups the national standards bodies of the 12 European Community member countries and the six members of the European Free Trade Association. A further eight countries, mainly from eastern Europe have affiliate status.

CEN was established in 1961 but had little to do for its first 24 years because standards setting was dominated by the national organisations or ISO/IEC. But in 1985 the European Community instituted a new approach to standard setting because it needed standards to back up the directives it was starting to produce for its single market initiative.

CEN attempts to avoid duplicating the work of other organisations, so where possible its standards are based on national or international ones. They carry the EN (Euro-norms) prefix. CEN has just published a book describing its work and the system of European standards. CEN Standards for Access to the European Market costs Ecu38 (£31) plus postage from CEN, Rue de Stassart 36, B-1050 Brussels. Tel: +322 519 6811.

In common with ISO, CEN has no responsibility for the electrical industry. This is handled by **CENELEC, the European Committee for Electrotechnical Standardisation**, while telecommunications standards are dealt with by **ETSI, the European Telecommunications Standards Institute.**

The European Organisation for Testing and Certification (EOTC) was set up last January following a two-year pilot. Its aim is to establish the mutual recognition by certification and testing organisations in Europe of each others' work so that companies do not need to obtain certification in each country.

The CE Mark. Is probably best known to the general public because it appears on the packaging for toys but is applicable to a wide range of products including construction products and gas appliances. Partly because of its use on toys it has come to be seen as a general consumer guarantee of quality or safety. In fact it is intended to show that a product meets the minimum specification required by the underlying EC directive. In some cases this is underpinned by independent certification, in others it hinges only on a manufacturer's declaration.

The BSI Kitemark is perhaps the most widely known UK seal of approval and is awarded, or licensed, by BSI to companies which produce goods to accepted national or international standards. Compared with the nearly 12,000 British Standards in existence there are fewer than 1,800 Kitemarks and lesser known Safety Marks. This is because Kitemarks apply to products and not services or procedures, while some of the older product standards would need to be revised to make them suitable for kitemarking.

The launch of the CE mark is a possible threat to the Kitemark and has prompted BSI to consider how to promote its "label".

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The Bank of Athens as a special liquidator for the Company named "ATHENS PIPE WORKS S.A." which has been placed under a special liquidation procedure provided for in Article 46a to Law 1892/90 by virtue of Decision No 3967/92 of the Athens Court of Appeal, as the judgment section of that decision was construed by Decision No 592/93 rendered by the same Court.

announces

a Public Invitation to Bid on the basis of sealed binding bids for the sale, as a whole, of the assets of the Company named "ATHENS PIPE WORKS S.A." (hereinafter called "the Company"), as it is specified in the Bidding Memorandum.

BRIEF DESCRIPTION:

The company was founded in 1960 with a registered office located in Athens (Offices Address: 260, Piraeus Street) and up to 1992, when the Company was placed under a stage of special liquidation the scope of its activities/business was as follows:

1. The production of Steel Pipes
   - Longitudinally welded steel pipes (1/2" - 10 3/4") for water supply, mechanical structures, line pipe casing and tubing (with API monogram), water pumping (ASTM) etc.
   - SPIRAL weld seam pipes (6 1/4"-80") and
   - *Steel quick coupling pipes (diameter 70-150).*
2. The production of steel enamelled bathtubs and
3. the production of steel heating radiators.

Its factory, which is located at position GLYFA, DROSSIA, CHALKIDA is 432.7 stremmes (1 stremma = 1,000 square metres) in area and its enclosed space consists of five (5) independent large buildings and four (4) smaller ones and is 74,800 square metres in area.

The installed power of the mechanical engineering equipment is 30,000 KW and the total production capacity of the factory is estimated, depending on the pipes specifications, at 100,000 - 150,000 tonnes per annum.

Further, the Company owns a real property located in Nea Efkarpia, Thessaloniki (49, Langada Street), the site of which is 17,2 stremmes in area and the enclosed space is suitable for use as a warehouse (5,143 square metres in area).

BIDDING MEMORANDUM

Every party concerned will be entitled to receive a detailed Bidding Memorandum and any other information concerning the Company's assets being under sale upon submission of a confidentiality promise in writing.

TERMS OF ANNOUNCEMENT

1. Preamble: The Public Bidding Procedure will be carried out according to the provisions of Article 46a of Law 1892/90, according to the terms of this announcement and according to the terms which are included in the Bidding Memorandum, no matter whether they are repeated or not in this announcement. The submission of a binding bid shall mean the unreserved acceptance of all these terms.
2. Binding bids: For the participation in the bidding procedure the parties concerned will be summoned to submit a sealed written binding bid until Friday, 18th of June 1993, 12.00 hours to Georgia Flamengou, Notary Public for and in Athens of 31, Char. Trikoupi Street, 4th floor, tel. No 3609478.
   The price being offered must be explicitly stated within the bids and such price must be a flat price for the Company's assets being sold and the terms of payment must also be mentioned in detail (for cash or on credit, making reference to the number of instalments, the time of their payment and the interest rate being proposed).
   Bids submitted out of time will not be assepted and will not be taken into account. The commitment pertaining to the bids shall be valid up to the assignment and the execution (signing) of the contract provide for in paragraph 7 of Article 46a of Law 1892/90.
3. Letter of Guarantee: Every bid will be accompanied by a Letter of Guarantee issued by a Bank lawfully operating in Greece of a three (3) - month term at least for which an extension shall be possible up to the assignment, for an amount of three hundred (300) million. A model of the letter of guarantee is contained in the Bidding Memorandum. Bids without a letter of guarantee shall not be taken into account. In the event of breech of the terms of the bidding procedure by a participant who will be regarded as highest bidder the amount of the letter of guarantee will be forfeited in favour of the liquidator as a penalty and payment of damages to him/it.
4. Way of submission: The bids along with the letters of guarantee will be submitted within a sealed opaque envelop. The submission of the bids will be made in person or by a lawfully authorized person.
5. The unsealing of the bids will be made by the Notary Public in her office on Friday, 18th of June 1993 at the 13.00 hours. Those who have submitted a timely binding bid will be entitled to be present upon the unsealing of the bids and sign the unsealing report to be drawn up.
6. Highest bidder: The person/party whose bid will be judged by the creditors representing more than 51% of the claims against the Company (hereinafter called "the Creditors") at their absolute discretion, upon proposal submitted by the liquidator, as the most beneficial for the Company's creditors will be regarded as the highest bidder. It is noted that in the event that a deferred payment of the prices is offered, the current value shall be taken into account for the evaluation of the bids, which will be calculated at an interest rate of 22% per annum compounded annually.
7. The liquidator will advise the highest bidder in writing to come obligatorily at a place and time which will be determined in the notice for the execution (signing) of the appropriate contract for the transfer of the assets on the basis of the terms of his/its bid and the other better terms, if any, to be recommended/indicated by the creditors and agreed upon with the highest bidder.
   The assignment shall occur upon the execution (signing) of the relevant contract for the transfer.
   In the event that the person/party being regarded as the highest bidder breaks his/its promise to come and sign the contract for the transfer of the assets as well as to comply with his/its obligations resulting from this announcement and the terms of the bidding procedure, then the guarantee given shall be forfeited in favour of liquidator Bank of Athens for the purpose of the defrayal of the expenses of any nature and its work as well as for the purpose of covering any actual loss or loss of earnings, without the liquidator having any obligation to give any particular proof in regard to them. Further, liquidator Bank of Athens will have the subsidiary right to regard that the letter of guarantee amount has been forfeited in its favour as a penalty and ask for its collection from the guaranteeing Bank.
8. All the expenses and costs of any nature for the participation in the bidding procedure and the transfer of the assets shall be exclusively borne by the parties concerned/buyers and the highest bidder, as the case may be.
   It is noted that in regard to this transfer the exemptions and limitations/restrictions referred to in paragraph 13 of Article 46 a of Law 1892/90 shall apply, and the V.A.T., if any, on the items of movable property shall be borne by the buyer.
9. The liquidator and the creditors shall not have any liability or obligation towards the parties participating in the bidding procedure in regard to the evaluation of the bids, the appointment of the highest bidder, the decision concerning the repetition or cancellation of the bidding procedure and generally for any other decision relative to the bidding procedure. Further, the liquidator, the creditors and the Notary Public shall not be responsible in regard to any physical or legal defects of the items of property being sold. The submission of the binding bids shall not grant any right to assignment. Generally, the parties participating in the bidding procedure shall not acquire any right or claim in regard to this announcement and their participation in the bidding procedure against the liquidator or the creditors for any reason whatsoever.
10. This announcement has been drawn up in Greek and in English (translation). In any event, however, the Greek text shall prevail.
11. For the receipt of the Bidding Memorandum and any additional information the parties concerned may address themselves to Mr. Dem. Vainalis, the liquidator's representative, in the Company's offices, 260, Piraeus Street, tel. Nos 4820828 - 4811375, fax No 4810171.

Athens 14th May 1993

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No. 001572 of 1993
Chancery Division

IN THE MATTER OF OTTAKAR'S PLC
and
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 31st March 1993 confirming the reduction of the capital of the above-named Company from £3,180,930 to £1,431,814 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 5th May 1993.

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INTERNATIONAL COMPETITIVE BIDDING NOTICE
BIDDING NOTICE No. 874-011/93

PETRÓLEO BRASILEIRO S.A. - PETROBRÁS has received a loan in various currencies equivalent to US$ 260 million from the World Bank and intends to apply a portion of the proceeds of this loan to the purchase of material and equipment for the erection of one Hydrotreatment Process Unit at Presidente Bernardes Refinery, in Cubatão - SP - Brazil

This Bidding will be made under the rules of the World Bank and its purpose is the purchase of the following equipment:

a) forty five (45) shell and tube heat exchangers, designed and fabricated in accordance with ASME Sec. VIII, Div. 1 and TEMA Codes, H2 and H2S service, design conditions for shell side up to 75 kgf/cm2(g) and 290°C, design conditions for tube side up to 28 kgf/cm2(g) and 455°C.

Bids will be received until Aug 11 1993 at 3:00 p.m.

Interested BIDDERS, from eligible countries, members of the World Bank, Switzerland and Taiwan, China who have supplied at least three (3) of each one of the items with characteristics similar to those described above, besides complying with the other requirements provided with the Bidding Documents, may obtain this Bidding through the presentation of a bank deposit slip in the amount of a non-refundable fee of US$ 300 (three hundred American dollars) to be made at Banco do Brasil S.A. Agência Centro - Rio de Janeiro (code 0001-9) current account no. 377.100-8 in the name of PETROBRÁS/ADM. CENTRAL, or contact us at no expense at the following address:

PETRÓLEO BRASILEIRO S.A. - PETROBRÁS
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Av. República do Chile no. 65, 6° andar - sala nº 662
CEP : 20035-900 - Rio de Janeiro - RJ - BRASIL
Phone : (021) 534-1731 or 534-1745
FAX : (021) 534-3837 or 534-3830
Ref. : EDITAL No. 874-011/93
Att. : Coordenador da Commissao de Licitação

INTERNATIONAL COMPETITIVE BIDDING NOTICE
BIDDING NOTICE No. 874-010/93

PETRÓLEO BRASILEIRO S.A. - PETROBRÁS has received a loan in various currencies equivalent to US$ 260 million from the World Bank and intends to apply a portion of the proceeds of this loan to the purchase of material and equipment for the erection of one Hydrotreatment Process Unit at Presidente Bernardes Refinery, in Cubatão - SP - Brazil

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هكذا من الأصل

Insights pierce Alzheimer's dark

Despite recent advances in research, effective treatment may still be a long way off, writes **Clive Cookson**

The drugs industry's view of Alzheimer's disease has been transformed during the past two decades, from an obscure and untreatable form of dementia to a favourite target for research. Alzheimer's disease probably causes more human distress, for victims and their friends and families, than any other single disease of modern industrial society. It is now known to cause 70 per cent of all cases of dementia, turning healthy brain cells irreversibly into a characteristic pattern of decaying tangles and sticky plaques of protein. At least 10m people worldwide suffer from Alzheimer's disease.

The symptoms include progressive memory loss, inability to carry out simple everyday tasks, breakdown of personality and, after a few years, death. Alice Zilonka, aged 73, memorably described the early stage to the UK Alzheimer's Disease Society: "My brain is like a dark thunderstorm."

Unfortunately there is no prospect of lightening her personal darkness. But there is now a glimmer of scientific optimism about Alzheimer's. Researchers have begun to understand the biological basis of the disease, in particular the microscopic "senile plaques" and "neurofibrilary tangles" that are the main sign of deterioration in sufferers' brains at post-mortem examinations.

The plaques result from the aggregation of "beta-amyloid protein" molecules around the decaying nerve terminals of brain cells. These molecules are fragments of a much larger parent protein, known as amyloid precursor protein (APP). Healthy cells produce small quantities of APP (though its normal function is unknown) but in excess it may lead to toxic accumulations of beta-amyloid.

Several different factors can trigger the Alzheimer's process. Researchers at St Mary's Hospital Medical School in London have recently discovered that some rare inherited forms of the disease are due to mutations in the gene on chromosome 21 which determines the structure of APP.

But inherited genetic defects probably account for only 10 to 15 per cent of Alzheimer's cases. Many more are caused by environmental factors triggering excessive APP production in injured nerve cells. One possible factor that used to be the subject of much interest – but is now rather discredited – is intake of aluminium. There is more evidence linking severe head injury to the development of Alzheimer's. Viruses may also be involved. But most of the risk factors are unknown. Clues may come from epidemiological studies which show that Alzheimer's is extremely rare among old people in tropical Africa but common in Afro-Americans who have grown up in the US.

Reports of the recent advances in Alzheimer's research – fuelled in the US by enthusiastic press releases from young biotechnology companies working on drugs for dementia – have aroused what many experts believe is an unrealistic public expectation that there will soon be an effective treatment for the disease.

"I can't see anything within 10 years that is really going to make an impact on Alzheimer's," says Geoffrey Dunbar, director of SmithKline Beecham's central nervous system therapeutic unit. "Yes, there's a lot of interest in APP but we're a long way away [from an actual drug] even in that area."

Michael Traub, director of clinical neuroscience at Merck's UK laboratory, looks even further ahead. "Someone might come up with a fundamental understanding of Alzheimer's disease within the next 20 years but that doesn't mean there'll be a drug in 20 years," he says.

The types of treatment now undergoing clinical trials can do no more than relieve temporarily some of the symptoms, particularly memory loss. The most popular approach is to improve the function of neurotransmitters, the chemical switches by which cells pass messages. The main target is acetylcholine (a neurotransmitter essential for memory) in which the Alzheimer's brain is severely deficient.

A class of medicines called aminoacridines achieve this by blocking the enzyme that destroys acetylcholine in the brain. Two such drugs, velnacrine (Mentane) from Hoechst of Germany and tacrine (Cognex) from Warner-Lambert of the US, are awaiting approval from regulatory authorities on both sides of the Atlantic.

Several more are at an earlier stage of development. But they are controversial because they only work in a minority of patients – improving memory slightly for a year or two – and they can cause side-effects such as liver damage.

In addition, several existing drugs that help other disorders of the nervous system are being tested for their effect on Alzheimer's. An example is selegiline (Eldepryl) from Sandoz of Switzerland, which slows the progression of Parkinson's disease by reducing the damage done to brain cells by oxygen-free radicals.

However "the holy grail of Alzheimer's research must be to prevent beta-amyloid deposition," says Jim Edwardson, director of the MRC Neurochemical Pathology Unit in Newcastle upon Tyne. "Many pharmaceutical and biotechnology companies are investing considerable money and skill, trying to develop drugs that would prevent amyloid deposition."

Several companies are concentrating on the enzymes involved in amyloid metabolism, seeking a way to block the destructive formation of beta-amyloid from APP. But they are a long way from clinical trials of candidate drugs.

A complementary avenue of research is to use natural chemicals known as nerve growth factors to regenerate brain cells damaged by Alzheimer's. Then, in the distant future, it might be possible to stop the amyloid deposition process at an early stage and to repair any damage that had taken place.

If effective drugs are developed for Alzheimer's disease, it will be all the more necessary to have accurate tests to diagnose the disease in the early stages, so that treatment can begin before serious symptoms appear. At present there are no simple diagnostic tests to distinguish even advanced Alzheimer's from other forms of dementia with different causes (such as multi-infarct dementia, the next most common form in elderly patients, in which a series of small strokes interrupts the blood supply to tiny areas of the brain).

Only a post-mortem examination of the brain – such as Alois Alzheimer carried out for his original description of the disease in 1907 – will tell definitely whether someone suffered from Alzheimer's. But two approaches to a diagnostic test for living patients are giving promising results in research.

- Brain scans will soon be accurate enough to show the changes characteristic of the disease. For example, the Oxford Project to Investigate Memory and Ageing, based at the Radcliffe Infirmary, is using X-ray computed tomography (CT scanning) to reveal Alzheimer's-related shrinkage in part of the brain that is important in memory, the medial temporal lobe. And Nicholas Fox, an Alzheimer's Disease Society fellow at St Mary's Hospital Medical School, plans to detect early degenerative changes in the brain through magnetic resonance imaging.
- Biochemical markers may be used to diagnose the disease and follow its progress. One candidate is the level of APP in spinal fluid, lower in Alzheimer's patients (possibly because it is being deposited as beta-amyloid protein in the brain). Sibia, a Californian biotechnology company, is developing an antibody-based test based on this observation.

Any company developing an effective drug for Alzheimer's would create a new world market potentially worth several billion dollars a year. But it would save at least as much as that by enabling old people to continue living at home, instead of becoming dependent on the health care system or on family members who assume what can become a crushing physical and emotional burden by caring for them.

Above all, an Alzheimer's cure would end the agony for millions of people who end their lives with minds like dark thunderstorms. A realistic assessment suggests that people who are now young adults can look forward to an old age free of Alzheimer's.

The series will continue next month with a look at treatments for the menopause.

Predictions for dementia in the UK

Numbers of people aged:

Year	40-64	65-79	80+	Total 40+
1991	14,570	196,280	387,600	[illegible]
2001	16,049	194,748	449,200	[illegible]
2011	17,877	198,740	487,200	[illegible]
2021	17,261	240,480	495,000	[illegible]

Note: at least 70 per cent of dementia cases are Alzheimer's Disease
Source: Alzheimer's Disease Society from OPCS figures

Trading up in Montreal

Bernard Simon examines a new service at a Canadian exchange

Every stock exchange aims to make trading in its listed securities as efficient and orderly as possible. Any market that falls short risks losing business to its competitors in an era when many companies list their shares on more than one exchange.

The Montreal Exchange is going one step further. Besides honing its own trading system, the exchange is in the advanced stages of a project that will give member firms access to other exchanges and provide the myriad sources of data required by a securities dealer – all on a single terminal.

"We see it as a normal extension of a stock exchange," says Keith Gray, president of TD Green Line, Canada's biggest discount brokerage and one of six securities dealers that have agreed to install the Montreal system. The ME's project – known as Platform for Electronic Access to Exchanges (Peace) – both competes against and complements services offered by established systems integrators in the financial services industry.

One Canadian securities firm, RBC Dominion Securities, has shunned the Montreal project in favour of its own trading platform, which it is developing with the help of Reuters. Ken Troy, president of Reuters Information Services in Canada, says that by mixing and matching trading platforms and data feeds, securities firms can "get exactly what they need". Peace users will be able to use Reuters data and will have access, if they wish, to a Reuters trading platform through an electronic bridge.

The Peace project has its origins in the long-standing rivalry between the ME and the busier Toronto Stock Exchange. Most large Canadian companies and several foreign ones list their shares on both exchanges, with the result that competition for trades is intense. Trading volumes in Toronto are five to six times higher than Montreal, and the ME saw a risk of an even greater imbalance when the TSE unveiled plans early last year to replace its trading floor with a fully automated trading system.

"It was a cue for everyone that it was time to change," says Rene Poirier, the ME's vice-president for development.

Peace will give traders equal access to the ME and the TSE through a single workstation. Traders will enter buy and sell orders into Peace, which will search each exchange's electronic order book for the best deal and then match orders on the basis of price and volume. The system will also be able to split orders between the two exchanges.

Toronto's automated trading system has similar capabilities but does not integrate its software with members' other trading and data requirements.

Peace will enable traders to use the same terminal for a variety of other functions, such as historical market data, information on a trader's limits and positions, and back-office links. "The idea is to have one physical device in front of a trader which can do almost anything," Poirier says.

A key element in the Montreal package will be a data distribution system known as Fist, which has been developed by Kapiti, a UK-based systems integrator. The Kapiti software is already used by, among others, Barclays Bank's global treasury division and Republic National Bank of New York. "The name of the game will be that the best market will win," Poirier says. "If the people in Montreal are aggressive, they'll be in a better position to get their share of the market."

The Peace system is due to be commissioned by the first of its six initial customers in August. If it proves successful, the ME plans to add trading functions for the Vancouver and New York exchanges, both of which have several dozen listings in common with Montreal and Toronto. The next step will be to try to interest foreign securities firms that execute trades on more than one exchange. New customers would make Peace not just a technological success, but a commercial one as well.

BUSINESS AND THE LAW

Limits on postal monopoly

EUROPEAN COURT

Legal monopolies given exclusive rights by national laws will be open to competition in areas which do not threaten their core traditional business or their economic viability following a ruling by the European Court of Justice last week.

The court clarified the position of legal monopolies under EC competition law in a case involving the Belgian postal service. It said that a business which held a dominant position because it was granted exclusive rights under national law did not automatically breach EC competition rules.

Member states, however, were under a duty not to adopt or maintain measures which weakened EC competition rules.

In the context of businesses entrusted with services of general economic interest, EC competition rules still apply so long as they do not interfere with the provision of such services.

Belgium's postal monopoly law gave exclusive right to the Belgian postal authority to collect, transport and deliver post in Belgium. Criminal proceedings were brought against a Mr Corbeau for providing a service in Liege.

The Liege court sought guidance from the European Court on the compatibility of the postal monopoly with the Rome treaty's prohibition of abuse of a dominant position and the rules dealing with the application of competition law to the public sector.

The court ruled that the core service provided by the postal authority was a service of general economic interest and thus EC competition rules would not apply to the extent necessary for the achievement of the core postal service. However, it was necessary to establish to what extent the competition rules must be excluded for that purpose of general economic interest to be achieved.

Because the Belgian postal monopoly needed to remain economically viable - by cross-subsidising unprofitable with profitable sectors - it was justifiable to prevent outside competition from those who only sought to provide a competing service in profitable sectors of the market. Competition could be permitted when competing services were specific, such as meeting particular requirements and therefore distinguishable from the core postal service.

Supplementary or improved services, such as home collection or greater reliability within limited areas, would not threaten the economic viability of the service.

Nevertheless the ECJ left it to the national court to apply these criteria to the particular facts.

C-320/91: Paul Corbeau, ECJ FC, 19 May 1993.

Spanish aid decision overturned

William Cook, a UK steel castings group, has won its appeal against the European Commission's rejection of a complaint about state aid granted to a Spanish competitor.

The Spanish government granted a subsidy to Piezas y Rodajes SA for a foundry investment programme in Teruel province. Further subsidies were granted by various local authorities. William Cook complained to the Commission that the additional aid was unlawful.

The court declared the appeal admissible as William Cook was a party concerned by the procedure which the Commission should have initiated, even though the Commission denied there were any big distortions of competition resulting from the contested aid.

The court repeated its definition of parties concerned in this context as persons, undertakings or associations whose interests might be affected by the provision of the aid.

The court overturned the Commission decision because it had not initiated the procedure provided for by the treaty when it had difficulties in assessing the compatibility of aid. The court said the Commission may restrict itself to a preliminary examination when taking a decision to allow aid, only if it can satisfy itself from this that the aid is compatible. Otherwise, it is duty bound to obtain all opinions and initiate the full procedure.

C-195/91: William Cook Plc v Commission, ECJ FC, 19 May 1993.

BRICK COURT CHAMBERS, BRUSSELS

The photocopier as money-spinner

Robert Rice on a licensing scheme which seeks to make UK companies pay for reproducing copyrighted material

No one is quite certain of the extent of illegal photocopying of extracts from books, periodicals and journals by businesses in the UK. A pilot study in 1988 showed that the annual use by commerce and industry of copyrighted material is about 1.7bn copy pages. That is equivalent to a pile of copier paper 107 miles high, the distance between London and Nottingham as the crow flies.

It also represents an enormous loss of copyright income for authors and publishers, including lost revenue from the export of intellectual property of British rights holders. Copyright, which is just one form of intellectual property, is estimated to account for 2.5 to 3 per cent of the UK's gross domestic product.

Attempts in the early 1980s by the Copyright Licensing Agency (CLA), Britain's organisation for licensing the reproduction of copyrighted material, to reach agreement with industry for such a scheme came to nothing. But following success in establishing licensing schemes for schools and libraries, and changes in the law made by the 1988 Copyright, Designs and Patents Act, the CLA was encouraged to make a further attempt to reach agreement with business. A joint CLA/Confederation of British Industry taskforce was set up in 1989 to examine the issue. Next week, after almost three years of discussions, the CLA will launch a copyright-licensing scheme for business, though complete agreement proved illusive and the CBI did not endorse the plan.

Nevertheless, a licensing scheme is to become available from June 2, and that means industry will have to come to terms with paying for something which it is used to getting for free. Those companies which photocopy from books and journals but do not become licensed will face an enhanced risk of legal action by copyright holders.

One of the key issues faced by the CLA/CBI taskforce was how to determine the volume, value and variety of copying by businesses without imposing unreasonable administrative costs on companies.

As an alternative to a blanket licence, the taskforce looked at the merits of a "transactional licence", where copies are cleared by the copyright owners as and when needed. Both the CLA and the CBI felt such a scheme would be too difficult to manage compared with a blanket licence. But the CLA argued that an unrestricted blanket licence could have a very damaging effect on primary sales of copyrighted works.

In the end the taskforce settled on a two-tier system. Part A of the CLA's plan allows multiple copying up to a certain number of copies. Above that number the licence will not apply. Part B covers access to the CLA's Rapid Clearance Service (Clarcs), a telephone-accessed database designed to handle individual requests to copy specific titles outside the scope of the basic licence. Clarcs fees will be payable on a case-by-case basis.

CLA LICENSING COPYRIGHT IN BUSINESS

CLA's: Colin Hadley

Tariff for business

Economic activity	Annual fee per professional employee
BAND A	
Nuclear fuel production	£18 plus VAT
Chemicals; pharmaceutical products	
Man-made fibres	
Office machinery and data processing equipment	
Processing of rubber and plastics	
Research and development	
Medical, health and veterinary services	
BAND B	
Coal mining and manufacture of solid fuels	£12.60 plus VAT
Mineral oil processing	
Extraction and preparation of metalliferous oils	
Metal manufacturing	
Extraction of other minerals	
Manufacture of non-metallic mineral products	
Manufacture of other metal goods	
Mechanical engineering	
Electronic and electrical engineering	
Manufacture of cars and parts	
Manufacture of other transport equipment; aerospace	
Instrument engineering	
Manufacture of paper and paper products; printing and publishing	
Business services; legal, accounting and technical services	
Public administration; national and local government	
BAND C	
All other classes of economic activity	£6.00 plus VAT

Source: Copyright Licensing Agency

The CBI wanted to make Clarcs available separately from a basic Part A licence, but the CLA would not agree, arguing that it is uneconomical for small transactions.

The basic licence will allow copies to be taken from publications within the CLA's remit. This includes all books and journals published in the UK except works in categories such as newspapers, maps, exam papers, printed music and industrial house journals.

The CLA is also able to license copying from works published in other countries where reciprocal agreements exist between CLA and similar overseas bodies such as the US Copyright Clearance Center.

The licence allows businesses to make up to nine copies of one article from a single issue of a journal, or one chapter of a book (or up to 5 per cent of the publication if this is greater), in connection with any single occasion (such as a meeting) or for any single purpose. Copies can be distributed freely within the licensee's business but external distribution is prohibited.

Licence fees will be calculated by reference to the number of "professional employees" within a company, defined as all staff except clerical personnel and apprentices. No price tags have been set out because collective price-fixing agreements are outlawed by competition rules. Instead the taskforce has proposed a basis for a tariff from which a company's charges can be negotiated.

As the table shows, the tariff of fees proposed by the CLA will vary for different sectors of industry. This is to reflect the fact that the value of the material copied and the volume of copying will vary from sector to sector. According to Mr Colin Hadley, CLA's chief executive, the experience of foreign copyright licensing agencies, particularly the CCC, makes it possible to predict sector patterns in photocopying. Industries with intensive research and development functions such as pharmaceuticals and energy are by far the heaviest copiers.

Nevertheless, if companies are going to feel confident that the licence fees paid are reasonable and the CLA confident of a fair distribution of licence income to individual copyright holders, detailed measurement of volume, value and variety of copying will be needed.

It was this issue which proved the main sticking point for the taskforce. Recording the number of copies actually made was rejected by the CBI as too cumbersome. Eventually, it was agreed that companies taking out licences would carry out an "information audit" once a year, the principal component of which will be a list of periodicals taken by the company. This will give an indication of the range of publications from which copies could have been taken.

Licensees will also have to complete an annual return, the contents of which were not agreed by the taskforce. The CLA acknowledged that information audits of companies without a formal library or central information centre were impractical. This is likely to be taken into account when deciding what information should be included in the annual return.

The issue of confidentiality of information gained through the audit was also of concern to the CBI. If, for example, information about the type of material being copied by a pharmaceutical company fell into the hands of a rival it might provide invaluable information about lines of research being pursued. But the CLA has assured the CBI that the confidentiality of any information it requests through the audit will be guaranteed.

Will industry embrace the CLA's licence scheme? A great deal may depend on the extent to which companies feel they need to be licensed. Many of them believe their current copying activities are permissible as "fair dealing" under the terms of the 1988 Copyright, Designs and Patents Act. Fair dealing is not defined by the act but is restricted to certain purposes (for example, single copies for research and private study by individuals), and it must be fair both to the user and to the copyright owner.

Mr Hadley says fair dealing provides industry with "a convenient excuse to justify what currently happens". But multiple copying is unlikely to qualify as fair dealing, he says, and there is some doubt as to what extent routine single copying by individuals in businesses is likely to pass as fair dealing.

If industry continues to assert that it is, the issue may have to be tested in the courts, he adds. A recent landmark decision in the US involving Texaco found routine single copying by individuals in businesses was not "fair use" primarily because the copies were made in furtherance of Texaco's commercial purposes and the copying was not fair to publishers as it deprived them of subscription income. Lawyers predict the English courts will adopt a similar line.

But short of legal action, the success of the licence scheme may depend on how successful the CLA is at selling it to businesses. The sales pitch will be concentrated on the heaviest copiers, as well as to law firms, which, if persuaded of the scheme's merits, are likely to encourage their corporate clients to become licensed. "We won't neglect the publishing industry either," says Mr Edward Barrow, the CLA's licensing officer. "If it's going to work, our clients have to be seen to be taking the medicine too."

PEOPLE

Hay Davison's week for chairmanships

Ian Hay Davison, chairman of Storehouse and former chief executive of Lloyd's, is this week picking up two widely contrasting non-executive chairmanships, that of McDonnell Douglas Information Systems, and, as expected, of Newspaper Publishing, publishers of The Independent newspaper.

Davison, 61, who admits he has in the past too often been associated with "disasters" - Lloyd's, which was " a hefty struggle" and Storehouse which was in trouble when he took it on - says he is attracted by MDIS as " a good-looking little company" that is young and growing.

He points out that he has the advantage of a computer background - his first job with Arthur Andersen having been as the firm's "computer expert".

MDIS was formed in a management buyout from the US aerospace group earlier this year.

Hay Davison says the company hopes to go public, though not before next year at the earliest.

Hay Davison is keen to stress how "sensitive" he is to the possible charge of accepting too many non-executive directorships - he is on the board of Chloride, CIBA-Geigy and Cadbury Schweppes - and claims, as a consequence, to have turned down several other offers to make time to do the MDIS job.

He predicts an announcement about his chairmanship of The Independent, where he has been a non-executive director since its inception, at a board meeting on Thursday.

He replaces Sir Ralf Dahrendorf, who recently resigned partly because he opposed plans to buy The Observer, but also because of disagreements about the management style of Andreas Whittam Smith, who combines the role of editor and chief executive.

Hay Davison claims to have been in favour of The Observer acquisition.

"It would have been very helpful", he says.

See Observer

Golden days at Vauxhall as appointment raises status

Charles Golden, treasurer of General Motors since 1989, will bring an enhanced status to Vauxhall, the group's UK subsidiary, when he takes over as chairman and managing director on June 1.

Golden was appointed a vice-president of GM, the world's largest vehicle maker, in November last year. He will be the first GM vice-president to head Vauxhall for a decade.

After many years of losses, Vauxhall turned the corner in the latter 1980s and last year achieved a record operating profit, despite the recession in the UK new vehicle market.

Vauxhall has become one of GM's main profit centres, giving it an added status in a corporation that has been suffering record losses in North America. The UK has also been attracting GM investment and is becoming an important source for components purchasing for GM's operations in continental Europe.

As GM treasurer in New York, Golden, 46, appears to have been on the fast track at GM.

Of the five key executives at the top of GM today, four are graduates of the treasurer's office, including Louis Hughes, president of GM Europe, based in Zurich. As executive vice-president responsible for all of GM's international operations, Hughes is now Golden's immediate boss.

Golden began his General Motors career in 1970 in the treasurer's office where his responsibilities included overseas financial analysis.

He later had various financial assignments there, at GM's headquarters in Detroit, as well as at the former GM assembly and Fisher body divisions, before returning to New York as assistant treasurer in 1984.

With the Vauxhall appointment, Golden is being given his first operational experience overseas, usually a precursor to bigger things at GM.

Late return to first love

A B "Sandy" Marshall, 68, a former chief executive of P & O, is one of the great survivors of Britain's declining shipping industry. Hence, he should have little difficulty stepping in to the number two slot at the Chamber of Shipping, caused by Les Atkinson's sudden departure for Singapore.

Marshall takes over as vice-president of the Chamber of Shipping at the end of the month from Atkinson, the chairman of BP Shipping, who has has been promoted to head of BP's Far East operations. The latter's move to Singapore, which follows a management reshuffle at BP, left the chamber with a problem of finding a well-known industry figure willing to take on the mantle of president from the current incumbent, Edmund Vestey.

Traditionally, the president of the chamber, which represents the owners of Britain's 12m dwt shipping fleet, serves a one-year term and his successor is the vice-president.

Marshall worked for P & O for 32 years before losing his job as chief executive after a boardroom disagreement over P & O's strategy for survival. He became chairman of Bestobell, Commercial Union and vice-chairman of Boots. But he kept some link to the sea through chairmanship of The Maersk Company.

His "first love" has always been the sea and he is looking forward to his new role.

Insurance moves

■ Laurence Smith, formerly marketing services director of the pensions and managed funds subsidiary, has been appointed group marketing manager at LONDON AND MANCHESTER GROUP.

■ Alan Fleming, a director of ICI's in-house Insurance Group, is being seconded for two years to be executive director of AIRMIC, the Association of Insurance and Risk Managers in Industry and Commerce; his appointment follows the retirement of Roger Miller.

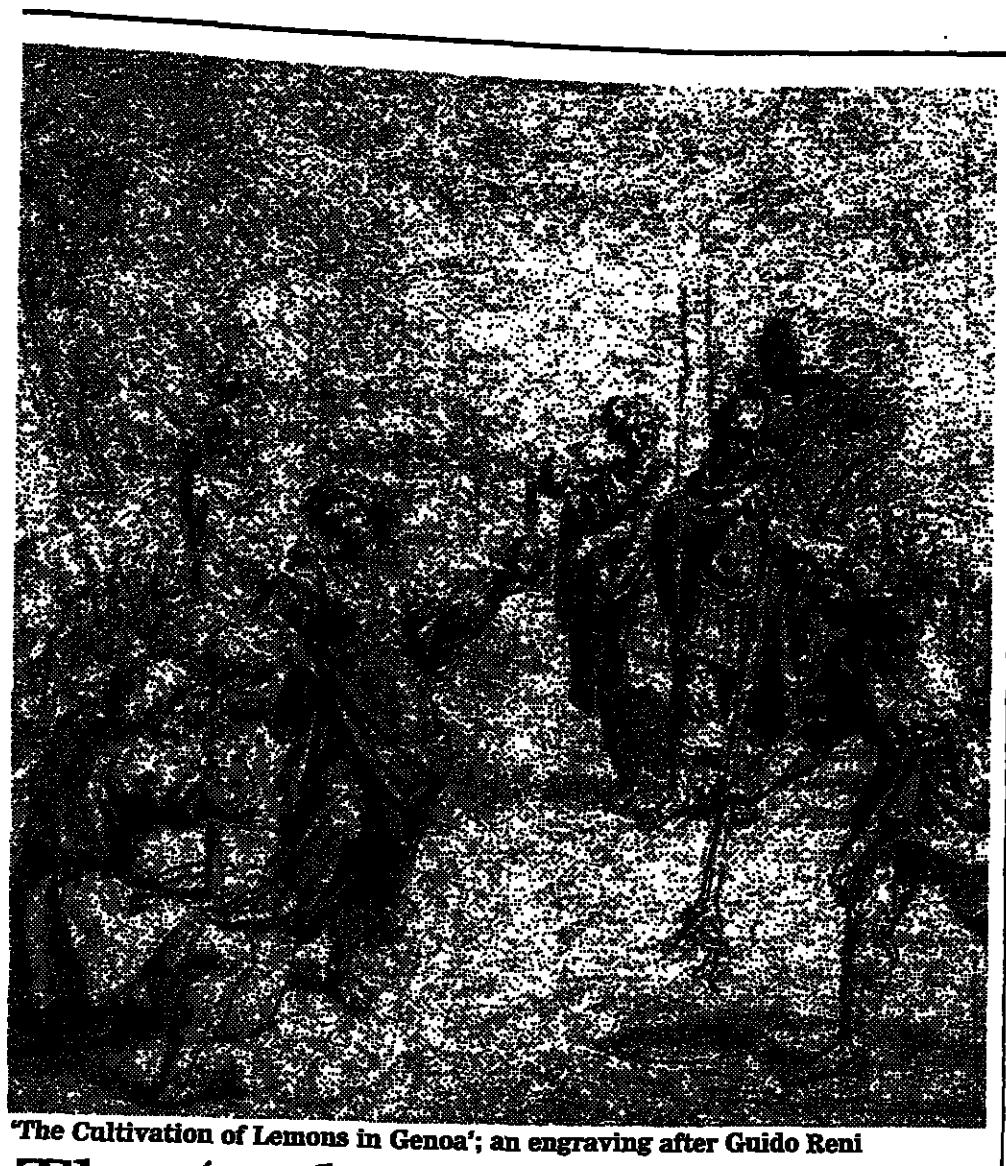
■ Lorraine Adlam has been appointed a director of SPRECKLEY VILLERS HUNT, the managing agents for Lloyd's Syndicate 1007.

■ Terry Taunton has been appointed executive chairman of JAMES HUNT DIX (INSURANCE) on the retirement of Gilbert Dix.

■ Ted Baillie has been appointed md, David Hall director of sales and marketing, Philip Kennedy director of product development, and Mike Rush director of operations, of MINET SELECT.

■ Anthony Fortescue is appointed chairman of BOWRING Marine, which amalgamates Bowring Marine & Energy, Bowring Marine Reinsurance Brokers (London) and the marine business of Carpenter Bowring. Christopher Keville, past joint chief executive of Bowring Aviation, is appointed chief executive; Roger Tyndall becomes chief executive of its marine & energy insurance division, and Christopher Keville also chief executive of its reinsurance division.

■ Robert Richards has been appointed to the board of LIVERPOOL VICTORIA FRIENDLY SOCIETY; Ken Wilkinson.



'The Cultivation of Lemons in Genoa'; an engraving after Guido Reni

The 'culture of curiosity'

Patricia Morison admires Cassiano dal Pozzo's Paper Museum

Cassiano dal Pozzo looked at the world "with the true eyes of a lynx". His biographer could hardly have chosen an epitaph that would have pleased Cassiano more. In an age distinguished by voraciously inquiring minds, Cassiano stands out as a man of boundless curiosity. Patron of Poussin, close friend and literary midwife to Galileo, correspondent of scholars and dilettantes throughout Europe, Cassiano is a figure who really repays discovery.

The Paper Museum of Cassiano dal Pozzo (1588-1657) at the British Museum does not quite measure up to the fascination of its subject. That would require an altogether more ambitious exhibition. To get the measure of Cassiano, you definitely need the catalogue (published by Olivetti £18.50).

Cassiano and his circle stood at the centre of the scientific revolution. There was, of course, no sense of any tension between art and science, let alone of "two cultures". Cassiano, a lifelong bachelor, devoted himself to Art which led him to subjects as diverse as science, museology, collecting, geology, art-history, botany, architecture, archaeology, libraries, even sport.

Cassiano was born in Turin in 1588, but the family then moved to Pisa, a highly cultured city which was, of course, Galileo's home. After his father died, he established himself in Rome in the service of Cardinal Barberini. He lived with his younger brother, who helped him amass a great library and a collection which ranged from flamingoes to antiquities and Poussin's "Seven Sacraments."

Many an aristocratic collector could boast a more impressive *Wunderkammer*. Cassiano was only ever comfortably off. But his interest in science was on an altogether more profound level than that of the average collector. Like Galileo, he was elected to the select, and in some circles highly suspect, Academy of Lynxes, the ancestor of all modern scientific institutions.

Whatever the subject at issue, nature, art or the manners and customs of antiquity, Cassiano held that exact visual records were vitally important. Aristotle's and Theophrastes's verbal descriptions were no longer adequate for people with inquiring minds.

Cassiano's interest in natural history is well represented, with two of the earliest microscopic studies ever made and striking studies of animals, birds, plants, minerals, fungus and petrified wood. Some of these were for books which Cassiano commissioned from protégés – he preferred to act as literary midwife rather than publish himself.

Delectable watercolours of citrus fruit by Vincenzo Leonardi (one of few identifiable artists working for Cassiano) were preparatory drawings for an astounding compendium on the citrus fruit, the *Hesperides*. Its author, Cassiano's friend Ferrari, was a typical polymath of the time. He was a Jesuit, Professor of Hebrew in Rome, an elegant poet, author of a Syriac grammar, and he planned the Barberini garden. One of the most attractive drawings on show is Guido Reni's allegorical scene of Genoa watching as Daedalus grafts a lemon-tree.

Cassiano's plan was that his Paper Museum (*Museo Carteo*) of some 7,000 drawings would ultimately be published as the indispensable guide to the ancient world. Artists were commissioned to copy objects such as mosaics, armour, reliefs, gems, statuary, inscriptions, and manuscripts. His main interest was not so much the aesthetic quality of the object copied, but what it showed about the world of the ancients.

By no means all the drawings are good, but they had to meet Cassiano's criteria of being informative. The Paper Museum was a project which met with approval in the highest circles. Cassiano was allowed to borrow two of the most precious manuscripts from antiquity, the Vatican Terence and Virgil, for a year so that his best artist, Pietro da Cortona, could copy scenes.

Cassiano also collected older prints and drawings. Like many 17th-century collectors, he liked plans of fortifications and scenes of warfare. His collection of architectural drawings were a painful reminder of how much contemporary architects had departed from classical and Renaissance models.

In 1762 the Adam brothers bought a large part of the Paper Museum for George III – siphoning off four magnificent books of architectural drawings for their own purposes. The Royal Collection did not keep all its Cassiano drawings but still owns the largest share.

An international committee has been coordinating research into Cassiano, sponsored by Olivetti – a wholly exceptional gesture of corporate support for scholarship. The exhibition catalogue is volume four of the *Quaderni Puteani*, absorbing essays on Cassiano. Eventually the *Paper Museum* is to be published in its entirety. The current exhibition is an intriguing dip into the 17th-century intellectual world and its "culture of curiosity".

At the British Museum until August 30

Summer festival time has arrived in earnest and our critics report on various weekend activities in Bath, Brighton and London

Holloway's Fantasies

Two anniversaries, of Grieg at 150 and Robin Holloway at 50, provide the focal points for this year's Bath Festival, which opened on Friday. The Grieg celebration ranges widely across the piano works, chamber music and songs, as well as generating its own secondary theme in the music of Schumann, such a potent influence on the young Norwegian and vitally important to Holloway's creative make-up too.

Holloway's fiftieth year has already provided the opportunity to revive two of his most fascinating scores of the 1970s – the BBC Philharmonic included movements from the deliciously extravagant *Domination of Black* in its Cambridge invitation concert earlier this year, and last month at the Festival Hall the BBC Symphony Orchestra played again Holloway's Second Concerto for Orchestra, perhaps his finest work to date. Though there is one brand-new piece, a Partita for solo horn, in the Bath celebration it ranges back nicely across two decades of Holloway's output, inevitably concentrating on the smaller-scale pieces but nevertheless promising a nicely rounded portrait of one of Britain's most intriguing and often frustrating composers.

The Nash Ensemble's programme on Saturday evening included two Holloway works. The Concertino No. 5, *Summer Music*, from 1991 still seems to me a peripheral piece, but the 1971 Fantasy Pieces Op 16 again emerged as powerful and disconcerting, one of the scores (together with the orchestral *Scenes from Schumann* and the instrumental *Evenings with Angels*) that first established the distinctive tone of Holloway's voice.

The Fantasy Pieces take Schumann's Op 24 *Liederkreis* as their starting point. As Holloway suggests they were delivered here with a performance of the Schumann song cycle (by an urgent, slightly over-insistent Neil Mackie) placed between the Praeludium and the remaining movements. The result is sometimes remarkable, sometimes misjudged; the coarse-grained scoring gives a lurid cast to some of the material as Holloway takes up Schumann's material, layers and cross-cuts it, refracts it through his transformational prisms. Given an almost Wagnerian opulence the themes acquire extraordinary new resonances, the harmony unexpected implications; the expressive world seems immeasurably broader.

Twenty years on some of Holloway's ideas have become commonplace. But in the context of the late 1960s his boldness in recognising what he wanted to do in his music and the source of his creative strength now seems extremely brave. His subsequent development has not always sustained that early enterprise, but works like the Fantasy Pieces demonstrate how potent and invigorating his imagination can be.

The Nash performances directed by Martyn Brabbins were spry and incisive. They also included Oliver Knussen's *Songs without Voices*, four portions of lyrical concentrate first heard in New York and Aldeburgh last year, and the premiere of a horn trio by Mark-Anthony Turnage, commissioned by the Bath Festival; *At Close of Day* is dedicated by Turnage to the memory of Charles Groves. It is a lucid, uncomplicated piece: an expressive dialogue between violin and horn is joined by a halting, out-of-kilter piano line, worked to a weighty climax and allowed to trickle away again. The effect is direct and impressive.

Andrew Clements

Bath Festival continues until June 5

Moscow comes to Brighton

Moscow Chamber Opera's British debut this weekend has been a highlight of the Brighton Festival, its first two programmes confirming the company's reputation as a lively and versatile music-theatre group. Formed 21 years ago by the veteran producer Boris Pokrovsky, Moscow Chamber Opera has spent much of its working life in a suburban basement theatre, and its repertory, which includes works frowned on by the former authorities, has enhanced its "underground" status.

It was neatly appropriate that the visit should have opened with a work full of old Russian religious symbolism, *The Rostov Mysteries*. A Nativity play framed by an allegorical episode and epilogue presenting the conflicting forces of Good and Evil, it was first performed in a Rostov seminary in 1702, and revived about 10 years ago.

Friday's performance in St Martin's Church was given on a rough wooden platform stretching down the nave, which brought the vivid spectacle close to the audience. Moscow Chamber Opera's singing-actors were wonderfully communicative in their varied roles, maintaining a well-blended ensemble without conductor or accompaniment. Among the many characterful performances Yvegeny Boluchevsky's Astrologer, Marina Zhukova's Rachel and Alexey Mokhalov's chilling, blood-red Death were outstanding.

More conventional, though hardly familiar, territory was reached in Sunday's triple bill at the Roedean Theatre, which began with Shostakovich's torso-version of *The Gamblers*. This Gogol setting occupied the composer during 1942, but its anti-heroic story of a card-sharper was perhaps too flippant for wartime Russia, and he abandoned it; what remains of it lay unstaged until taken up by Pokrovsky in 1989.

The company revealed its thoroughly Russian approach to drama. This was satire by overstatement, with emphasis less on singing or highly-produced staging than on expressive interaction between performers. Notable among these were Boris Tarkov in the central role of the gambler Ikharyov, passionate in his aria addressed to a pack of marked cards; Nikolay Kurpe, who as Krugel disclosed a line in silly walks and twitches; and as the servant Gavryushka Valery Belykh, whose gravelly bass was heard in a balaika-accompanied folk song. The score is brittle; Anatoly Levin, in the pit for the evening, conducted it capably.

Next came the first British performance of Shostakovich's *Antiformalistic Gallery*, a private, anti-Soviet joke conceived at the time of the notorious 1948 Zhdanov decree on music – its existence was revealed by the composer's widow only in 1989. In a gibe at the Composers' Union, which declared that music should be optimistic and entertaining, a motley crowd of "musical functionaries" are addressed in banal tones by caricatured luminaries.

Stalin, resplendent in a tatty vest and angels' wings, was hilariously mocked by Vladimir Khrulev, and the poker-faced "KGB" danced in time to a figure (Eduard Akimov) representing Khrennikov, the much-decorated, much-hated Soviet *Kapellmeister*. Westerners can only scratch the surface of the piece, but its zestful performance made merely watching it seem an act of sneaky subversion.

Mikhail Kislyarov's production of Stravinsky's *Renard* was anti-climactic, illuminating little a piece most commonly heard in concert performance. Biting satire appears to be Moscow Chamber Opera's strength: there is a chance to sample more of it in the company's acclaimed staging of Shostakovich's *The Nose* this week.

John Allison

Moscow Chamber Opera at the Brighton Theatre Royal: *The Nose* (Wed, Sat); a Mozart-Salieri double bill (Thur, Fri)

The gospel according to The Five Blind Boys

The London Jazz festival ended with dancing in the aisles

London Jazz Festival Free jazz audiences seem to have an air of resigned purpose to them. In the bar beforehand, bearded men holding pints greet one another grimly as though preparing psychologically for that parachute drop behind enemy lines or shooting of whitewater rapids which will inevitably claim a few of them. "Seen Bill?" "Nope. Saw him at Spontaneous Music Ensemble last month and haven't seen him since." They are survivors and they know they are all in it together at least until they go the way of all flesh – to Radio 2.

The body count from Saturday's free jazz ordeal at the Bloomsbury Theatre will reveal the diehard ranks to be thinned but no less resolute. An entire afternoon of London's most free spirits was capped by the appearance of the testing reeds of American Anthony Braxton – mathematician, chess demon and musical experimentalist. Pursued by the staccato, attacking piano chords of Marilyn Crispell, Braxton darted from alto, soprano and sopranino saxes, clarinet, contrabass clarinet and flute, music charts from both musicians spilling to the floor around them.

It is said that Braxton often uses formulae and mathematical calculation to compose a framework for his challenging improvisation. That does not mean to say there are any obvious points of reference and this work, delivered without introduction or explanation (if there is any) tumbled out in a great snow storm of notes, up and down tempo. Musically, however, the performance was as evocative as a book of logarithms. Abstract jazz, like all "modern" art, is not easy and perhaps all the more rewarding for that when it does actually move the emotions. The trouble with Braxton and Crispell's manic exchanges this night was that it was not involving, had no heart and did not swing.

Which is precisely what the gospel of The Five Blind Boys of Alabama, closing the London Jazz Festival on Sunday, is all about. Formed 50 years ago at the Talageda Institute for the Blind by Clarence Fountain, who sings a sanctified bass, and on the road ever since, the Blind Boys' honeyed *a cappella* harmonies are a soothing secular balm. Joined by a rhythm section, elderly lead tenor Jimmy Carter, who at the climax of the show was lowered into the hollering crowd by his minder, shares a similar bag to James Brown.

"We didn't come to England to find God," intoned Fountain, who like the other greying Boys was wearing a sharp double breasted suit and shades, "We brought him with us!" Their combination of belief, unashamed sentimentality and showmanship is irresistible and the congregation on Sunday succumbed entirely. The salutary advice of a country and western tinged "I'm not that way anymore", which concerned gambling and drinking, left bottom lips trembling while the blues shouting of "Brother Moses Smote the Water", had them dancing in the aisles. If Braxton needs reminding of what music ought to do he should order a copy of the Boys live album *Deep River* (Elektra 7559 614-40).

Garry Booth

'The Fairy Queen' in Covent Garden

So much amusement has been caused by the production of Mozart's masonic opera *The Magic Flute* in the Freemasons' Hall that people do not seem to have noticed how apposite are some of the other venues occupied by the BOC Covent Garden Festival. Ingenuity has certainly made the most of the available performing spaces.

In the very centre of the festival's catchment area lies a Wren masterpiece – St Paul's Church, with its rear portico (or is it the front?) facing directly on to the piazza. What better to feature there than the music of Purcell, Britain's leading Restoration composer? Ideally, one might have had some of the choral music, at present being recorded complete for the first time, but that looks as if it will have to wait for another year.

The work that was presented on Sunday was the semi-opera, *The Fairy Queen*. The Gabrieli Consort under Paul McCreesh performed it almost complete (a couple of numbers, including the Plaint, were omitted, presumably on the grounds that they were added later). Some acting of a sort was invited, mostly in the lighter passages, but probably should not have been. Singers need a firm directorial hand if jokey ideas are not to get out of control.

As it was, the comic interludes rather took over and the atmosphere was of a more plebeian entertainment than usual, which may or may not be true to Purcell's day. The drunken poet reeled in the aisles; Corydon and Mopsa camped up their duet something awful, although Mark le Brocq's impersonation of Benny Hill impersonating a suggestive blonde with pigtails revealed hidden talents. McCreesh and his musicians supported them all with lively playing.

It is, however, only a year since William Christie performed *The Fairy Queen* at the Barbican, and his subtle and expressive way with the music was the more rewarding. He also had the better singers, although the bass Peter Harvey made such a fine job of his Winter solo as almost to tip the balance the other way. The linking narration was provided by Simon Butteriss, a couple of sly asides wittily reminding us that this is a festival which is on the ball.

Richard Fairman

Sponsored by Lanson Champagne; Covent Garden Festival sponsored by The BOC Group

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw Tomorrow: Heinrich Schiff, Ton Koopman and Jaap ter Linden play chamber music by Vivaldi, Geminiani and Bach. Thurs: Frans Brüggen conducts Orchestra of the 18th Century in works by Haydn, Mozart and Schubert. Sat: Edita Gruberova song recital (24-hour information service 675 4411, ticket reservations 671 8345)
Beurs van Berlage Tomorrow and Thurs: Jean Fournet conducts Netherlands Philharmonic Orchestra in works by Massenet, Ravel, Debussy and Pierné. Fri, next Tues: Hartmut Haenchen conducts Netherlands Chamber Orchestra in Pleyel, Dussek and Haydn (627 0466)
Muziektheater Thurs and Sat: Nikolaus Harnoncourt conducts final performances of Jürgen Flimm's new production of Le nozze di Figaro, with Olaf Bär, Charlotte Margiono, Alastair Miles and Isabelle Rey. Next Tues: Simon Rattle conducts first night of Peter Sellars' new staging of Pelléas et Mélisande, flagship production of this year's Holland Festival (625 5455)

■ ANTWERP

The main event in this week's Antwerp 93 programme is Missa e Combattimento, a new music theatre piece devised by Astrid Vehstedt with music by Monteverdi and Judith Weir, which can be seen at deSingel tomorrow, Fri and Sun. Michael Finnissy conducts orchestral works by himself and Xenakis tonight at deSingel, and there is a final showing at Bourla tomorrow of Walter Hus' new Orpheus opera. The sacred music programme at St Augustinus includes a performance on Sat of a reconstructed version of the Matthew Passion by a forgotten Flemish master, Johannes de Nasco, and an early music programme on Sun with Orlando Consort (226 9300)

■ THE HAGUE

Dr Anton Philipszaal Fri: Gerard Oskamp conducts Royal Flanders Philharmonic Orchestra in works by Nielsen, Grieg and Sibelius, with piano soloist Niek van Oosterum. Sat: Oliver Knussen conducts Hague Philharmonic in works by Birtwistle, Lutoslawski and others, with piano soloist Paul Crossley (360 9810)

■ GENEVA

● Jesus Lopez-Cobos conducts Orchestre de la Suisse Romande at Victoria Hall tomorrow and Fri in a programme including Mahler's Rückert-Lieder (Doris Soffel) and Schoenberg's orchestral arrangement of Brahms' Piano Quartet (311 2511)
● Théâtre de Carouge has Marivaux's The Game of Love and Chance, daily except Mon till June 6 (343 4343). Coline Serreau's modern philosophical fable Quisaitout et Grobêta, directed by Benno Besson, is in its final week at the Comédie (320 5001)

■ SALZBURG

For the second year in succession, the Chicago Symphony Orchestra is to give three Whit weekend concerts in the Grosses Festspielhaus. The first two programmes, conducted by Georg Solti on Saturday and Daniel Barenboim on Sunday, pair symphonies by Haydn and Bruckner. Monday's programme, conducted by Barenboim, is devoted to Bruckner's Fifth (662-846500)

■ UTRECHT

Vredenburg Tonight: Dmitri Fershtman, accompanied by Mila Baslavskaya, plays cello sonatas by Franck, Fauré and Debussy. Tomorrow: Frans Brüggen conducts Orchestra of the 18th Century in works by Haydn, Mozart and Schubert. Fri: Heinrich Schiff conducts Radio Chamber Orchestra in works by Rands, Schwanter, Barber and Copland. Sat: Rudolf Barshai conducts Radio Symphony Orchestra in works by Glinka, Tchaikovsky and Musorgsky, with piano soloist Rian de Waal. Sun afternoon: Emma Kirkby song recital. Sun evening: Rudolf Werthen conducts I Fiamminghi in works by Tchaikovsky, CPE Bach, Britten and Dvorak, with cello soloist Quirine Viersen (314544)

■ VIENNA

VIENNA FESTIVAL
This week's programme is dominated by two new Alcestis productions – the Euripides tragedy and the Gluck opera. The play, directed by Frank Castorf, opens tomorrow at Messepalast and runs daily till Sat. Gluck's Alceste, sung in French, is conducted by Thomas Hengelbrock and staged by Achim Freyer, with a cast led by Anna Caterina Antonacci. It opens at Theater an der Wien on Thurs, with four further performances till June 5. Pina Bausch and her Tanztheater Wuppertal bring Bausch's dance work Nelken to the Volkstheater on Fri, Sat and Sun. The festival runs till June 20 (586 1676)
OTHER EVENTS
Staatsoper Tonight and Fri: Queen of Spades with Maria Guleghina, Sergei Larin and Vladimir Chernov. Tomorrow and Sun: Don Giovanni with Boje Skovhus and Jane Eaglen. Thurs and next Mon: Seiji Ozawa conducts Falstaff with Benjamin Luxon and Nancy Gustafson. Sat: Aida with Julia Varady (51444 2955)
Konzerthaus Tonight: Oleg Maisenberg piano recital. Tomorrow: Hugh Wolff conducts St Paul Chamber Orchestra in works by Ravel, Shostakovich, Bartok and Haydn, with piano soloist Emanuel Ax. Thurs and Fri: Peter Eötvös conducts Vienna Symphony Orchestra and Arnold Schoenberg Chorus in works by Schoenberg and Bartok. Thurs (Mozart-Saal): Anthony Rolfe-Johnson song recital. Next Mon and Tues: Franz Welser-Möst conducts London Philharmonic in Bruckner's Fifth Symphony (712 1211)
Musikverein Tomorrow and Fri: Sylvia McNair song recital. Thurs: Oleg Maisenberg joins Ensemble Wien in Schubert's Trout Quintet (505 8190)
Akademietheater Tomorrow, Fri, Sat, Sun: new production of Pirandello's Six Characters in Search of an Author, directed by Cesare Lievi (51444 2959)
Kammeroper Fri: first night of new production of The Bartered Bride (513 6072)

■ WASHINGTON

KENNEDY CENTER
Broadway star Gregory Hines is joined by Savion Glover in a show of song and dance tonight. National Symphony Orchestra gives Pops concerts Thurs, Fri and Sat. The theatre programme includes Oleanna, David Mamet's powerful drama about political correctness and sexual harassment, and the musical Guys and Dolls. June 1-6: Joffrey Ballet (202-467 4600)
BALTIMORE SYMPHONY ORCHESTRA
David Zinman conducts Bartok's Second Violin Concerto (Pinchas Zukerman) and Elgar's Second Symphony on Thurs, Fri and Sat at Joseph Meyerhoff Symphony Hall (410-783 8000)
THEATRE
● The Skin of Our Teeth: Thornton Wilder's tribute to the indestructability of the human spirit as seen through the eyes of the Antrobus family. Till June 13 (Arena's Fichandler Stage 202-488 3300)
● Arms and the Man: Shaw's comedy of love and war in the Balkans. Till June 6 (Center Stage's Pearlstone Theater 410-685 3200)
● Five Guys Named Moe: a celebration of Louis Jordan's songs of the 1940s. Till June 20 (Ford's Theater 202-347 4833)
● Shirley Valentine: Willy Russell's one-woman comedy about a mother with dreams that take her on a courageous voyage. Till June 6 (Church Street Theater 703-848 2632)
JAZZ/CABARET
Blues Alley Jazz Supperclub Thurs, Fri: Chuck Brown and Eva Cassidy, jazz and blues. Sat, Sun: Pieces of a Dream, contemporary jazz (1073 Wisconsin Ave, in the alley, 202-337 4141)
Filene Center at Wolf Trap Sat: Dwight Yoakam and Suzy Bogguss, country music. Sun afternoon and evening: Irish folk festival (703-218 6500)

■ ZURICH

Opernhaus Tonight and Sat: La boheme with Mara Zampieri, Vicenzo La Scola and Wolfgang Brendel. Tomorrow and next Mon: Adam Fischer conducts Nikolaus Lehnhoff's new production of Don Carlo, with Francisco Araiza, Ruggero Raimondi and Gabriela Benackova. Thurs: choreographies by Nijinsky, Bienert, Uotinen and Saint-Léon. Fri: Die Zauberflöte (262 0909)
Tonhalle Tomorrow: Arend Wehrkamp conducts Tonhalle Orchestra in works by Richard Strauss and Rakhmaninov, with piano soloist Tomas Kramreiter (261 1600)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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Beijing news shocker

The Chinese press is undergoing radical change, says Tony Walker

Madam Yang, the Beijing newspaper vendor, had no doubt what sells papers and magazines. "News," she declared. "That's what sells. You've got to have hard news."

"What I'd like to tell newspaper editors," she added, speaking near her stand at the entrance to a Beijing subway, "is to get more original and bizarre stories in their papers, make them more entertaining. You may frown on it, but that's what makes a paper sell."

Madam Yang could have been repeating the gospel according to Mr Rupert Murdoch, the publishing tycoon who visited Beijing recently, in his efforts to extend his empire to the Chinese mainland. But her attitude and her enterprise also reflect the enormous changes that have overtaken China's press in the past few years.

Take Madam Yang herself. Her small stand, which turns a tidy profit each month, is a relatively new phenomenon. Back in the days when choice of newspapers for Beijing's residents was restricted to a few, grey Communist party-controlled propaganda sheets, such as the People's Daily, distributed mostly by subscription, there was no need for newspaper vendors.

At the People's Daily itself, located in a sprawling walled compound in a Beijing suburb, mention of the fate that befell Pravda, its Soviet equivalent, brings a worried response. Pravda is barely surviving with a circulation of 500,000, down from 10m in its heyday.

The Daily's circulation has also slumped, to 3m from a high of 6m in the 1970s. Mr Wu Changsheng, a senior People's Daily editor, makes no attempt to disguise his concerns. "In the past," he says, "We didn't have any competition, therefore we didn't have to worry much about attracting readers. Now, our task is to make the paper more attractive and appealing without losing authority."

For much of the past four decades since the Communists came to power in 1949, numbers of newspapers had been limited. There were as few as 100 papers in the country, before liberalisation of the market in the 1980s prompted a proliferation of new titles. By the end of last year, 1,655 newspapers were being published, with combined annual sales of about 25.2bn copies. Circulation grew by about 20 per cent last year over the year before.

Mr Shi Feng, an official of China's Press and Publishing Administration, which is responsible for licensing new publications, says there is enormous continuing demand for licences, both for newspapers and magazines including business publications. The surge in magazine titles has perhaps been even more notable than for newspapers. Some 6,400 magazines, the bulk of them technical, are published in China with a combined circulation of 2.3bn.

Apart from the big number of periodicals coming on to the market, papers themselves are also getting bigger – from a typical four pages to as many as 12. Papers are also publishing more supplements and weekend special editions. In short, Chinese publications are becoming more commercial.

Just how commercial became apparent the other day when the official Shanghai Wenhui Daily covered its entire front page with a large advertisement for air conditioners. This prompted an outcry among readers, and a worried reaction from competitors. But Wenhui business managers were unrepentant since, as they explained, the paper is now obliged to make its own way in China's market economy.

China's establishment press and its problems were the subject of a somewhat plaintive article in a recent issue of Outlook, a magazine published by the official New China News Agency, whose reporters had conducted an investigation into the decline of the "big papers".

These inquiries yielded some revealing comments, including those of an anonymous People's Daily editor who said with surprising candour: "The news that [People's Daily] publishes is not new, which is not only insulting to the word "news", but is also deceiving to the readers."

The magazine also related several colourful anecdotes to reinforce the point. In one, an editor of a "establishment" paper, such as the People's Daily, returning home one night and finding on the dinner table the same old fare, asked his wife why? To which, she replied: "I learn it from your newspaper. Don't you serve the same thing everyday."

It is the new papers and magazines which have departed from the "standard" fare that are, not surprisingly, doing best. These publications have been building circulation rapidly by printing titillating and semi-scandalous reports on subjects ranging from the private lives of film stars and singers to fairly explicit surveys of such previously taboo issues as homosexuality.

While editors are prepared to countenance fairly racy stories these days, such daring does not extend to political stories. All practise a form of self-censorship that would not be required of an editor in the west; although Chinese editors say that circumstances are becoming more liberal again after the crackdown that followed the 1989 massacre of pro-democracy activists in Beijing.

"The political atmosphere is much better now, though it's not perfect," said Mr Li of the China Youth Daily, one of the country's "big papers". "There's always room to improve. But the trend is getting better and easier."

That may be so, but the battle for real press freedom is only really just beginning, and there is no indication that the Communist party might allow real criticism of the political system and its leaders. Nevertheless, the Chinese word, *toumingdu*, meaning transparency in the media and in government, is heard more frequently these days; and some of the more daring publishers and editors are openly challenging the status quo. Thus, the publisher of Shanghai's Liberation Daily, probably the country's most liberal publication, recently argued strongly that all Chinese have a right to know – a fairly radical concept by local standards.

"If we really want to become an 'open China' in the eyes of the world, we must first open up the press. Journalists have the right to interview, the media has the right to report, and the public has the right to know," he wrote.

But in a country where the media has long been the exclusive preserve of the Communist party the notion of the "right to know" smacks of a dangerous virus, and one that party officials are coming to terms with only reluctantly.

Joe Rogaly

The new Lords of Lotto

Britain's new national lottery, which could be in operation late next year, is expected by its supporters to become a gigantic new business, benefiting many dozens of suppliers, with a turnover that could top £6bn. The devil on my shoulder tells me it could be as exciting, and intellectually satisfying, as direct mail, on which I am an expert. Bidders for the principal contract, says one consultants' report, are offered the opportunity to create a new FT 100 company.

That is only half of it. The lottery will extrude a regular supply of instant millionaires, not to mention excited winners of lesser amounts, the more innocent of whom will doubtless be seen as ripe pickings for vultures from the financial services industry. It will pay taxes, initially a come-on 12 per cent, to the Treasury. The remaining crumbs – at worst under a fifth of turnover and at best close to a third – will be divided among five "good" causes, one of which is the "millenium fund" over whose celebrations the prime minister hopes to preside. He should be so lucky.

Knowing all this wealth and power to be at stake, you will not be surprised to learn that there has been a certain amount of lobbying on behalf of the three principal interest groups involved: the football pools promoters, the charities and potential players in the new market. Their efforts are currently focused on the Lords, where the bill will be debated on Thursday.

Governed, as ever, by the angel on my other shoulder, my sympathies are with the charities. It has to be said at once that if we soft-hearts have our way the potential revenue from the lottery business will be cut by 30 to 40 per cent, or more, the start-up will be slower, and the whole enterprise might crumble. What a calamity! Let me explain. The establishment of lotteries is a rapidly expanding global business. It should be categorised under electronics, telecommunications and computer services. There are two main types of game. The big, expensive one, entailing huge set-up costs, is lotto. You buy a ticket regularly and in advance. The prize is drawn on evening TV shows once or twice a week.

The relatively cheap and cheerful alternative is the instant ersatz crapshoot. You buy a card on impulse – while shopping, say – and the number revealed by scratching the card or running it across an electronic reader tells you at once whether you have won. Charities, whose tombola prizes are immediate, fear the competition. A report on the national lottery prepared for the government makes it plain that the instant gratification business is a key element in the cash flow projections for the entire enterprise. I hope their lordships are not put off by this argument.

A UK national lottery could become the world's largest, with annual sales of between £2.5bn and £6bn

A second threat to Mr John Major's dream comes from the pools promoters. The government line is that football gambling is largely undertaken by men of a certain earnings group. Lotto on TV, or scratchcards bought at the check-out counter, will attract women, the young, and, if the games are sold by branch post offices, pensioners and social security beneficiaries. This has not reassured the pools companies. During the passage of the bill through the Commons they asked for five concessions. First, a reduction in taxation to the same level as that proposed for the national lottery. Nice try. Second, removal of the requirement that "skill and judgement" be required of punters. Another failed attempt. The pools promoters did better on the next three. They won the right to sell their tickets through *any* outlets, as opposed to their existing practice of using door-to-door agents or direct mail. The lottery, on the other hand, is to be excluded from betting shops and direct sales to households.

The pools asked for the right to advertise on TV, a key to monopoly power at present available to the lottery alone. So far all they have been offered is a provision allowing them to sponsor TV programmes, excluding the football results. Finally, the "rollover" of jackpots, which in the US has resulted in prizes as high as $100m, but which in the UK is likely to be at lower levels, will be permitted for the pools and the lottery on similar terms. These two concessions have been offered as amendments to be tabled in the Lords; we have yet to see the colour of the government's money.

What the third group, those whose snouts are in sniffing distance of this bountiful new trough, is saying is that if the charities and the pools both have their way there will not be enough left for the putative Lords of Lotto. Then sports, the arts, the national heritage and the other potential beneficiaries of this new business would be that much the poorer. Even worse, Sainsburys, W.H. Smith, Granada, Forte, Texas Home Stores and the like would be deprived of the chance to earn a 5 to 7 per cent rake-off plus additional walk-through trade expected by the chosen retail outlets.

It all depends. As to the size of the trough, foreign experience is mixed. Francaise de Jeux sold £3.7bn worth of tickets last year, following the introduction of a multiple instant games strategy; CONI in Italy competes with regional lotteries and brought in only £1.4bn. Residents of Massachusetts spend an average of £200 each a year on lottery tickets; the New Zealand equivalent is £56. Australians spend 8.4 per cent of their discretionary income on their Tattersalls; Westdeutsche Lotterie brings in only 5.1 per cent from the mad money available to each inhabitant of its area.

These figures are from GAH Consultants, 4-6 Arne Street, WC2E, from whom you can buy the whole book for £695. GAH, which advised the government, believes that the UK national lottery has the potential to become the largest in the world, with annual sales of "anywhere between £2.5bn and £6bn", albeit under £2bn without instant games.

We come at last to the beneficiaries. Let us be generous. Assume £4bn to be the lottery income in a good year, with half going to prizes, 15 per cent to the operating company, and 12 per cent in tax.

That leaves £920,000 for the five causes. Dream a little. Call it a billion. Now ask yourself the following two questions: will the Treasury maintain government funding for those who get shares of this billion, or will it be cut? Will the 12 per cent tax take be kept at that low level or will it be increased? You know the answers. So do I. There is no need to send them in on a postcard.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Most US companies in retaliatory net

From Mr L Blumenthal.

Sir, Mr John Wosner's letter (May 20) suggesting that UK laws designed to retaliate against US companies would have a limited effect can be of little comfort to most US-based companies with UK subsidiaries.

It is true that if such companies (a) do not have their main place of business in a unitary tax state such as California, or (b) are not subject to tax by such a state, or (c) have less that 7.5 per cent of their US payroll, property or sales derived from such a state, then they cannot be affected by the threatened retaliation.

But given the wealth of California there must be few US-based companies that are not potentially affected by the legislation. How many of them would be affected would depend on the form of implementation since the making of a Treasury order to enforce the provisions would not only give the effective starting date, but can also say which of the tests listed above would be applied.

L Blumenthal,
director of UK tax,
Mobil UK Tax Group,
Mobil Court,
3 Clements Inn, London WC2

High fares for high speed

From Mr J W Smith.

Sir, Your article, "Mitterrand mocks UK as new TGV link opens" (May 19), states that French rail users are complaining about the higher fares they will have to pay to help recoup the cost of building the new Paris to Lille line.

The range of fares quoted in the article is just about the same as we currently pay in Britain for the comparable length of journey between London and Bristol, without BR having made comparable outlays on new trackwork and rolling stock. What prospect is there of high-speed rail links in Britain at fares we can afford?

J W Smith,
5, Old Deer Park Gardens,
Richmond, Surrey TW9 2TN

Time to mend their ways

From D Ellis.

Sir, The culture of late payments has been sown, fertilised and further grown by large companies. They must be made to mend their ways. Until they do the poor small business does not even receive the cash to pay its own bills. It is, therefore, no wonder that research appears to support the contention that small businesses are as dilatory as the large ones ("UK's late payment culture attacked," May 10).

When will the headline writers, authors of financial arguments and others look at it from this angle?

D Ellis,
25 Kingsley Park Grove,
Sheffield
S11 9HL

Closing Tecs would be a political nonsense

From Mr Edward Roberts.

Sir, No doubt Mr Ansel Harris finds it enjoyably diverting to write (Letters, May 18), as he so often does, suggesting Training and Enterprise Councils should be closed down, but that is a practical, as well as a political, nonsense. If he really cares about training and enterprise he should make constructive and practical suggestions on how Tecs can deliver even more than they do already.

In the meantime a few facts.

Tecs are making real progress in training. Forty-three per cent of adults leaving employment training last July were qualified, compared with 36 per cent the year before under schemes run by the employment department. In September 1992, 32,000 young people awaited training under the youth training system. In April 1993 this number had been reduced to 5,300.

In a typical year there are some 40,000 business start-ups under Tec support. Some 85 per cent of these are still successfully trading and growing after one year of operation, making a significant contribution to employment and economic development. All Tecs have economic regeneration as the cornerstone of their strategies, based on investment in the business community and inward investment. Raising skills of the workforce through training is fundamental to this.

Our targets are ambitious and rightly so if we are to achieve international competitiveness. Tecs are here to stay. And with their partners in education, local authorities, chambers of commerce, and enterprise agencies they are tackling an immense task with increasing success.

Edward Roberts,
chairman and chief executive,
Heath Springs,
chairman,
Group of Ten Tec Chairmen
Redditch, Worcs B92 6AY

Kicked into public arena

From Mr Malcolm Edwardes.

Sir, In "Spurs forced to issue statement on profits" (May 18), your correspondent suggested that "Mr Venables' methods of giving out price-sensitive information jars with stock exchange rules about making such announcements to the market as a whole".

He did speak without board approval. Nevertheless, his method of announcement outside market hours on live television during the FA cup build-up could not have been more equitable. Small investors without ready access to star analysts would be less disadvantaged if more company news was relesed on Saturday TV.

Malcolm Dewardes,
managing director,
Delphi Risk Management,
3 Hyde Park Steps,
St George's Fields,
London W2 2YQ

Cable TV development restrained by old technology

From Mr Tony Young.

Sir, I noted with interest you editorial comments regarding a compromise which would allow BT to overcome the asymmetry rule, which remains an extraordinary restraint on trade.

You are correct in stating (Leading article: "Cable television", May 19) that information super-highways should be built because of genuine consumer demand, although it should be borne in mind that, as a rule, telecommunications applications are developed only when a network infrastructure exists to support them – a classic chicken and egg situation – of which ISDN is a prime example. The trade and industry select committee should bear this in mind if and when it launches an inquiry.

If BT is seriously expected to compete as a successful player in the US market, then the Department of Trade and Industry will have to lift the restrictions that prevent BT from making more efficient use of its existing network.

The asymmetry rule preventing BT and Mercury from using its network for broadcast entertainment retards the introduction of fibre towards the house and office, and the development of new services.

My union has been at the forefront of the argument for a national broadband grid or "network of the future". However, this requires a regulatory regime that encourages modernisation of BT's local loop by making it commercially viable – and the obvious way to do this is to relax the asymmetry rule. As John Harper, former managing director of BT, argues, the regulatory regime and industry structure in Britain acts "as a drag rather than a help to the early stages of exploitation and application of broadband technology".

Few of the UK cable companies are laying fibre to the home. Instead, we are experiencing a proliferation of co-axial and copper cable – leaving us with the prospect of two outmoded local loops.

It is essential that, if the government wants to modernise the UK's telecoms networks in the interest of residential customers, business customers and international competitiveness, removal of the asymmetry rule must be a priority.

Tony Young,
general secretary,
National Communications Union,
Greystoke House,
150 Brunswick Road,
Ealing, London W5 1AW

From Mr Derek A Coggrave.

Sir, I was pleased to read your comments ("Cable telecoms") and the sensible suggestions for overcoming the restrictions placed on BT.

My telephone is connected to the BT network via copper wires. This is, as you have pointed out, obsolete technology and BT is prevented by government regulations from replacing this metal based network by fibre optics for its domestic customers. Thus, we are deprived of services which would otherwise be available.

The fact that BT has this Luddite ball and chain clamped round its metaphorical leg only illustrates how daft British governments can get. These restrictions not only hold back the technical development of BT, but also manufacturing companies supplying equipment to BT.

Once installed, fibre networks will be able to provide a great variety of information for the home consumer. However, to be successful this will have to be cheap, probably at a price comparable to the cost of television film channels. It will work if the price is right!

Derek A Coggrave,
23, Wentworth Park,
Finchley, London N3 1YE,

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Tuesday May 25 1993

Complacency on the ERM

JUDGED BY the lessons they draw from the turmoil in the exchange rate mechanism, the principal monetary officials of the *European Community* have, like the Bourbons, forgotten nothing and learned nothing. This is a pity. "The Community," asserts the EC's monetary committee, "needs plain speaking, confrontation on policy issues and critical probing of forecasts and policy intentions." But it also needs these virtues when analysing EC-wide policy systems, like the ERM. Unfortunately, neither its report nor that from the committee of central bankers display them.

It would help if the authors showed some appreciation of the scale of the disaster that has befallen the EC. The Monetary Committee is correct in its castigation of policy failures in member states. But the rigid application of the ERM itself spread the consequences of German unification to the rest of the EC, so creating today's damaging, but largely unnecessary, EC-wide recession. Subsequent turmoil in the ERM damaged both the credibility of individual governments and relations among them, in the process transferring huge sums from taxpayers to speculators.

If the reports had confronted this record head on, they might have been less complacent. For their conclusion is simply that "current institutional and technical arrangements in the EMS remain on the whole appropriate".

Many recommendations

The principal recommendations from the monetary committee are "the adoption of stability-oriented economic policies in all participating countries"; "improved co-ordination of economic policies"; orientation of monetary policy towards price stability; sound public finances; symmetric policy action, "in the sense that all countries are obliged to pursue stability-oriented policies"; and appropriate responses to inflationary divergence, including "exchange rate changes ... to offset, at least partly, the effects on competitiveness".

These recommendations are to be made effective by frank discussion of the economic position of member states and "action, when necessary, well in advance, of the development of expectations of change on the markets". But the ERM will retain "fixed but adjustable exchange rates", not turn into a "crawling peg" system. In short, the system is fine. It is politicians who have been foolish. This is an understandable position for countries still in the system to take, but that does not make it the right one.

No consistency

In the first place, the ERM has failed to provide consistent help to stability-oriented policies. Spain, for example, did indeed suffer a "significant and cumulative deterioration" in its competitive position that undermined the credibility of the peseta. Nevertheless, Spain's problem in the ERM was for years not a weak exchange rate, but a strong one. Similarly, the fiscal problems of EC member states have been exacerbated in recent years by the adverse effects of the ERM on the cyclical position of member states.

In the second place, the ERM cannot be made stable by more *timely adjustment of exchange* rates. Markets read the same statistics as policy-makers, but react far faster. With the illusion of stability departed, investors will analyse every EC member state for signs of cyclical or structural disequilibrium. When they find one, they will move. The authorities must then either resist or give in. If they normally accede to the pressure, their currencies will be pushed towards floating. If they resist, their credibility will be at stake and the temptation to play "double or quits" will be overwhelming.

The way fixed, but adjustable, exchange rates work in the absence of exchange controls is well known. They cannot survive by offering a series of hugely profitable one-way bets to speculators. As a result, the ERM will not become more stable if substantial pre-emptive jumps in the exchange rate are made more frequently than hitherto. The well-known answer is to move either towards credibly fixed exchange rates, or towards managed floating. Given the politics, it is not surprising, that the dilemma has not been confronted. But there are flaws in the ERM. They must be eliminated.

Spain's new challenges

WHOEVER FORMS Spain's government after the general election on June 6 will need to face up to uncomfortable realities about the country's economic structure and its place in Europe. Mr Felipe González's Socialist government has fervently desired full Spanish participation in greater European economic integration. Yet he has failed to put into effect the measures needed to ensure this aim. The time of reckoning has arrived.

Mr González, in power since 1982, starts the election campaign more or less level pegging in the polls against his conservative opponent, the untried Mr José Maria Aznar. Given that the prime minister presides over an economy in recession and a party weakened by factionalism and allegations of corruption, this is not a bad position for him. The country's budget deficit and large current account deficit, however, along with the latest official unemployment rate of 21.7 per cent, underscore that Mr González has been unable to make use of previous years of buoyancy in the Spanish economy to solve some basic economic problems.

Mr Aznar, for his part, has succeeded in modernising his Partido Popular and moving it towards the political centre. But the lack of detail in Mr Aznar's prescriptions has added to the difficulty of seeing *his* party as a credible alternative to the Socialists.

Peseta devaluation

With the left in disarray in every large European country, it is not surprising that Mr Gonzalez has lost some of his panache. Most strikingly, the three devaluations of the peseta since September illustrate the gap between the prime minister's rhetoric and the real world outside the Moncloa Palace.

Spain has to come to terms not only with the short-term problems engendered by the European slowdown, but also with the longer term challenge of life in a wider Europe. The eastward shift in the continent's centre of gravity has brought new competition from former communist countries where wages are roughly one-fifth of Spanish levels. Unless Spain adapts to these circumstances, its ability to attract grants and investment from the rest of the EC will be badly constrained.

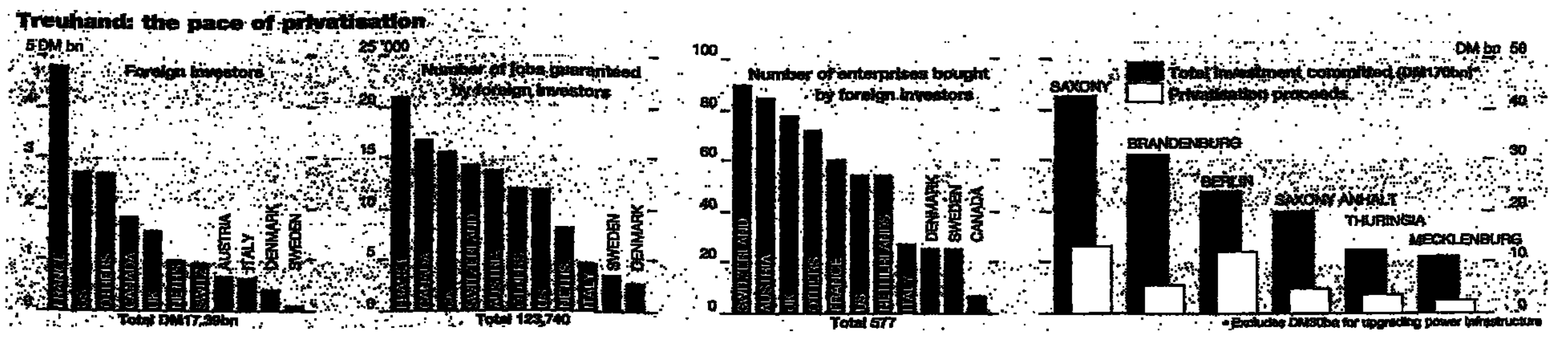
The latest devaluation of the peseta on May 13 was a setback for Mr González and his finance minister, Mr Carlos Solchaga. However, after several years with an over-valued currency, the overall fall of 15 per cent in the exchange rate against the D-Mark since autumn gives Spain the chance to bring its economy into better balance.

Fresh priorities

The goal to which the country aspires – economic and monetary union by the end of the century – has become less feasible even for the stronger EC economies, let alone Spain. If Spain now realises that it is unlikely to be among the first group of EC members that go ahead with Emu, this should be construed not as a failure, but as an opportunity. Above all, Spain should reverse its order of priorities. Its most pressing task is to construct and enact policies to correct flaws in the domestic economy and make Spain more competitive. The time to worry about participation in Emu will come after these policies are in place, and showing positive results.

Because of the size of the unregistered economy, the official figures overstate the true level of unemployment. None the less, the recorded level of 3.3m represents a startling waste of resources in one of the EC's poorest countries. To realise its undoubted potential, Spain needs to make room for private-sector job creation.

Crucial to this aim are measures to restructure and privatise public sector industry, to control public spending more effectively, and to make labour markets more flexible. Two measures long sought by employers, which Mr Solchaga has failed to push through because of party and trade union opposition, are particularly necessary: the ending of administrative controls over layoffs, and the break-up of rigid centralised wage bargaining. Unless Spain makes adjustments of this kind, it will have little chance of leaving the economic periphery and climbing into Europe's premier league. Voters do not yet seem fully convinced of the need for a change in priorities. As the election campaign gets under way, the politicians' task now is to show it is essential.



Mission unpopular

Judy Dempsey examines the performance of the agency charged with privatising east German industry

Eggs have often been pelted at the Berlin headquarters of the Treuhand, the agency charged with privatising *east German industry. Earlier this* month angry workers from the potash mines in Thuringia arrived in Leipziger Street, where the Treuhand is based. Throughout the hot afternoon, they shouted abuse at the agency's employees, threw eggs at the windows, and scattered potash on the pavements. It was a reminder that of all the institutions set up in east Germany after unification, the Treuhand is not only one of the most well known. It is also the most hated.

This is because it has completely restructured east German industry in accordance with the mandate granted by the government in 1990 after reunification. The result has been high unemployment. Of the 4m workers in the 13,000 companies placed under the Treuhand, only 1.4m now have jobs. By the end of last year, the Treuhand had started closing down 2,200 companies.

Mr Hero Brahms, vice-president of the Treuhand, said there was no choice. "I know we are a shield for the politicians in Bonn. We will be *blamed for the unemployment in* eastern Germany," he said. "But if you look at the Treuhand's role, it was set up not only to privatise. We had to find solutions for all our companies."

Nearly 11,000 of the Treuhand's 13,000 companies have been dealt with since 1991, mostly through privatisation, which has brought in a total of DM40bn (£16.2bn) – lower than expected. However, the agency has received investment commitments totalling DM170bn, which will guarantee the 1.4m jobs.

Mr Brahms believes the Treuhand has accomplished the tough part of its task. Between now and the end of next year, when it is wound up, fewer than 1,000 companies, which employ 210,000, are left to be privatised. "Eight hundred of these companies have fewer than 100 employees each. These will not be too hard to privatise," Mr Brahms said.

Among the 1,000, there will, however, be some from heavy industry, such as mining operations and engine makers, which are difficult to break up and sell as smaller units. The Treuhand has set up five management companies, run by west Germans, each of whom will supervise about 15 of these heavy industrial companies. Over the next three or four years, they will restructure them with the aim of selling them off.

It is not just industrial concerns that have proved difficult to sell. The entire privatisation process has been complicated. One of the problems the Treuhand faced in the early days was that it was working in a vacuum. Germany chose not to use any of its neighbouring east European countries as a model – it ruled out the Hungarian system of small-scale privatisation, by-passed the Czech voucher scheme system of employee shares, and resisted the Polish or Russian method of leaving big enterprises intact until the end of the privatisation proceedings. Instead, it chose to privatise from "the top down". Having made the decision, the government simply put everything up for sale.

"It is academic whether the Treuhand could have done it differently," said Mr Thomas Mayer, chief economist at Goldman Sachs, the investment bank. "I was highly critical of this method of privatisation in the early days. But it has done a fairly good job in a short space of time."

Mr Mayer admitted that the cost of privatising east German industry had been higher than expected. Initial estimates for taking over the bad debts of the region's enterprises totalled DM70bn. This increased to DM92bn after reunification and monetary union between the former west and east Germanys. A further DM160bn was earmarked for the Treuhand for investment and restructuring costs.

Now, the total debt of the companies for sale is likely to exceed DM270bn, instead of DM252bn, because of rising labour costs. In addition, the falling value of obsolete plant has limited the receipts from privatisations.

A further political development which has had a negative effect on the companies' purchase prices has been the breakdown of the Soviet and east European markets. When west German and foreign companies entered east Germany it was initially with the hope that a stepping stone would be provided to markets in the east. That hope has evaporated.

"Expectations [among investors] were high in 1991 because eastern Germany still had markets," said Mr Brahms. Russia, for example, was absorbing about 70 per cent of east German exports. But following the collapse of Comecon, the former Soviet trading bloc, trade is down to virtually zero. "This affected the large enterprises. Their market disappeared overnight," said Mr Brahms. "Investors were hit as well because some of their early concepts were clearly designed for having a new, additional export market for eastern Europe."

Despite the collapse of markets in the east, the Treuhand managed to find buyers for thousands of east German companies – mostly from west Germany. Critics of the agency accuse it of having an in-built bias towards west German industry and west German managers. There is a widespread perception that west German companies rushed in and took over the most potentially viable businesses, such as insurance companies and chemicals companies, to protect their markets and keep out foreign competitors.

Mr Brahms and his colleagues dismiss such charges. "Our foreign friends have always said: 'East Germany for the West Germans'. The real story is that not only did the west Germans know more about east Germany – and knew the language. But they were more prepared to cope with uncertainties, particularly property rights, which were very shaky in 1991," he said.

"However, we were determined to attract foreign investors as a means of creating more competition. Look how the French Elf petrol stations managed to set up here." However, by the end of this February, only 577 companies had been bought by foreigners, about 10 per cent of the total. France, which has invested DM4.8bn, headed the list, followed by the US, Canada and Britain.

Mr Helmut Ballon, the director of the Treuhand responsible for mining privatisations, said he and his colleagues had not shied away from seeking foreign investors. He is active in selling east Germany's lignite mines to an Anglo-American consortium headed by Britain's PowerGen and NRG of the US. But he agreed that it was extremely difficult, in the early days, to increase *the flow of foreign investment.* There were no proper marketing or accounting procedures, for instance.

"We lacked basic information about what we were selling. Until about spring of 1991, we could not even describe accurately what the companies did."

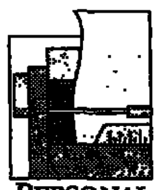
Other Treuhand officials suggest that even if west German companies have acquired the largest slice of east German industry, fears that they would close factories to prevent competition have not materialised. "We never privatised with the aim of closing down," explained Mr Frederick Fucci, from the Treuhand's investor relations department. "Indeed, all the contracts are anchored on three principles."

First, investors had to commit themselves to a certain level of funding over a set period; second, they must set up a regional office in eastern Germany; third, they must guarantee a fixed number of jobs for a specified periods, depending on the contract.

So while short-term guarantees are in place and provide a measure of confidence, the long-term outlook is less certain. The success of the Treuhand will ultimately be gauged by the ability of the privatised companies to compete. But the collapse of their traditional east European markets together with the west European recession is likely to delay the improvement of conditions in the east German economy.

According to a recent Deutsche Bank report, average operating losses last year in privatised east German enterprises amounted to 20 per cent of total turnover. But Treuhand officials remain optimistic. Mr Brahms said: "Every investor knew they were investing in an economy with rising wages, which demanded sophisticated strategies. With such strategies, eastern Germany should reach a higher standard faster than the other east European countries. It will take time. But I am convinced there was no other solution."

Portillo risks targeting his own foot



PERSONAL VIEW

Targeting welfare benefits is again in fashion for the UK government in its search for cost savings. Michael Portillo, chief secretary to the Treasury, has floated the idea as part of the current review of public spending. Political pundits declare its inevitability. Even the Labour party's Commission on Social Justice is giving it serious consideration.

The argument is simple. Public spending is out of control, largely because of the expense of universal benefits; and universal benefits by their very nature go to the middle class, who do not need them. Targeting would enable welfare spending to be cut, thus relieving the pressure on the public purse while not hurting those really in need.

But research by the welfare state programme at the London School of Economics, funded by the Economic and Social Research Council, suggests that all these claims have to be treated carefully. It is true that welfare spending is at an historical high with respect to gross national product – 26 per cent in 1992-93. But this is in part a consequence of the recession, which both raises spending, through its impact on unemployment, and lowers GNP. If the green shoots of recovery are indeed appearing, then the crisis will melt away with the recessionary snows.

It is also true that the middle class benefit extensively from parts of the welfare state. In some areas this involves large subsidies that are difficult to defend – for instance, the use by the middle class of the higher education system far outweighs any contribution they might make in terms of taxation. But in other cases the situation is not so simple. For the welfare state is not only, or largely, a Robin Hood device for taking from the rich to give to the poor. Rather it takes tax payments from people at one stage in their lives and, in return, pays benefits to them at another. We estimate that over their lifetimes people pay for between two-thirds and three-quarters of the benefits they receive from social security, education and health. Hence the welfare state is acting as a "savings bank", smoothing the flow of resources for the same individuals over the life cycle.

The welfare state is not a real savings bank in the sense that people get out the actual money that they have put in. Instead, today's workers pay for today's welfare beneficiaries. But they only do so because there is an understanding – an implicit contract – that they will be looked after if and when the need arises. If the welfare state is altered at this point, large numbers of people will feel the contract has been broken – that they have paid into something from which they will not themselves benefit.

The claims about the impact of ending universal welfare benefits have to be treated carefully

Moreover, even if any savings due to targeting are fed back to the losers through tax cuts, it is far from clear that they will end up being better off. Those who lose eligibility for benefits will be forced to make insurance provision for themselves, provision that may be more expensive and less flexible. Due to the costs of marketing, the payment of sales commissions and so on, the administrative costs of private welfare are much higher than for state welfare. And the market may fail altogether to offer some kinds of protection, such as insurance against unemployment.

There is a further complication. Part of the welfare state does act as Robin Hood and does indeed take from the lifetime rich and give to the lifetime poor. It also redistributes between the sexes. Overwhelmingly, over their lifetimes women are net gainers from the welfare state, receiving an amount equivalent to the value of a good-sized house in a nice part of the country. This is largely because of the impact of universal benefits such as child benefit and the state earnings-related pension scheme. Removing them or cutting them would benefit men at women's expense.

As Mr Portillo has found out, on this issue even putting a toe in the water has serious political risks. Targeting offends many powerful groups. Moreover, in many areas it is difficult to justify on more objective grounds. Political parties should be very careful before they plunge into this particular pool.

Finally, it should be remembered that the current "crisis" is in large part the government's own creation. In the run-up to the 1992 election, it sharply increased public expenditure on welfare. Spending on health, education, housing, personal social services and social security went up by more than 14 per cent between 1990-91 and 1992-93, far more than could be justified by recessionary pressure. All governments follow the electoral cycle, but they need to be sensitive as to whom they make pay for it when the election is over.

Julian Le Grand

The author is the Richard Titmuss professor of health policy at the London School of Economics

OBSERVER

Willy's final Claes act

■ What have Willy Claes, Belgium's foreign minister, and Sir Edward Heath, father of the House of Commons, got in common apart from an enthusiasm for the European ideal? They both like conducting orchestras almost as much as orchestrating their fellow politicians' agendas.

Indeed, Claes is looking forward to Belgium's presidency of the European Community, which begins on July 1, with a mixture of optimism and sadness. Optimism, because last week's Danish and British votes in favour of the Maastricht treaty have given the drive towards European union new impetus. Sadness, because for six months Claes will be out of action as a conductor.

Claes has made quite a name for himself as a guest conductor of orchestras worldwide. On an official visit to the Middle East in December, the 54-year-old Flemish socialist caused quite a stir by conducting the Jerusalem Symphony Orchestra with one hand, while condemning Israel's deportation of 400 alleged Muslim fundamentalists with the other.

Aides say conducting is the only activity Claes has time for outside his ministerial duties and the minister's Brussels office features an elaborate hi-fi system. Sadly, Claes conducts his last concert next month for Belgian television and then will have to content himself with trying to keep the 12 member states in tune.

Come December, however, the Community baton will be passed on to the Greeks and Claes will be free to remount the podium: he's already fixed up three concerts with the Liège opera orchestra and is open to further offers.

Dirty talk costs

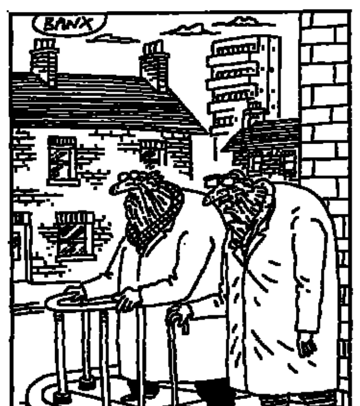
■ *Please do not adjust your phone.* The National Association of Securities Dealers in the US, in a bid to clean up its industry, has fined and censured a New York stock trader for....
swearing.

In handing out a $10,000 fine and suspending the Brooklyn-based trader from the securities business for one day, the NASD scolded the culprit for using "gross, vile and disgusting" language during a series of conversations with rival traders – language that "transcended anything that could be remotely considered proper even in those circles".

The NASD dared not repeat the exact words used, but did reveal that one offending passage began with "dumb Minneapolis...."

Faulty plug

■ Another public relations triumph from Hoover, home of the never-to-be-repeated free flights offer. Yesterday, Gerald Kamman, the company's European president, gave a press conference in Paris to say that it was, after all, going to close its Dijon plant and transfer output to Scotland – a move which caused an Anglo-French political fracas when first mooted earlier this year. Unfortunately, no British newspapers were there to cover the event because Hoover failed to invite any....



'I wish I could afford to take an overdose'

Paper tiger

■ One of the first things that accountant Ian Hay Davison needs to do when he takes up the chairmanship of Newspaper Publishing, owners of The Independent, is to get a wider boardroom table.

For Hay Davison, a former senior partner of Arthur Andersen, is a "restless man", according to The Independent's company historian, Stephen Glover. The latter should know, since Hay Davison "frequently lashed out" at Glover's shins (unconsciously, of course) when the two of them used to sit around the Indy's boardroom table. Hay Davison's other failing, according to Glover, is that he often gets people's names wrong. Indeed, Glover was so irritated by this that that, when he told Hay Davison that he was resigning, he insisted on saying "Goodbye George". Vicious stuff.

Bore speaks

■ The Tory government's ability to sound a bum note when it is trying to blow its own trumpet never ceases to amaze.

It is justifiably proud of the £75m-worth of support it is pouring into Manchester's bid to host the Olympic Games in the year 2000. But wasn't it a trifle insensitive to make that very bid the centrepiece of the Department of the Environment's exhibition stand at the City's 93 conference which opened in Birmingham yesterday?

Brum, which is co-sponsor of the conference, is still smarting at the government's refusal to back its own attempt. "I'd like to see the level of resources provided for Manchester made available to Birmingham," growled Labour councillor Albert Bore, chairman of the city's economic development committee. "All we got was a letter of support signed by Margaret Thatcher."

Under strength

■ Expect a good turnout for trade and industry secretary Michael Heseltine's power lunch at London's Lancaster House today. It's the first get-together of Hezza's "round table" of hand-picked business leaders who plan to discuss the state of the nation every six months or so. But why only 19 names?

A "Group of 20" would have had a much better ring to it. However ICI, which was on the original guest list, has dropped out, claiming that it is too busy reorganising itself.

Group 4 score

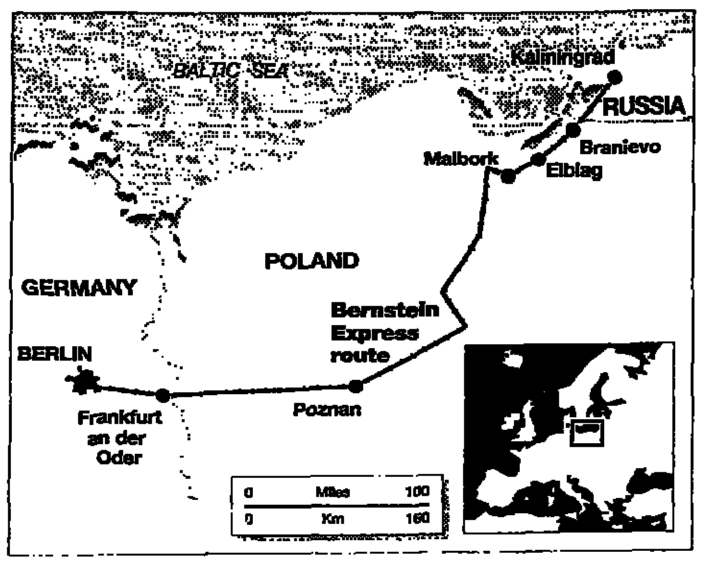
■ Bookies William Hill heaved a sigh of relief when Nuclear Electric sailed into Southampton to claim the trophy in the British Steel Challenge round the world yacht race with just 70 minutes to spare. Why? Nuclear Electric was a "10:1 outsider. We made a handsome profit," beams William Hill, doubly relieved that second-placed Group 4 (at 5:1) saw victory elude them.

Out of the 10 competing boats, a Group 4 win would have presented the bookies with the largest liabilities. They would, wouldn't they.

FINANCIAL TIMES
Tuesday May 25 1993

Railway renews Germany's links to East Prussian past

'Nostalgia' tours are set to revive sensitive ties to a former heartland, says Quentin Peel



If it were not for the red ribbon across the railway line, and the bright blue paint liberally splashed on the new steel sleepers, nobody need have noticed the occasion.

A handful of speeches on the platform, a quick couple of anthems from the local navy band, an inaudible press conference in the station waiting room, and it was all over. The rest of Kaliningrad railway station was bustling with Russian commuters going about their business.

And yet it was a sort of moment of history: when the ribbon was cut, it meant that the railway line from Kaliningrad, the former East Prussian capital of Königsberg, to Berlin, the German capital, was back in business for the first time since the second world war.

The "Königsberg Express" will run once a week from Berlin's Hauptbahnhof, through Poland, carrying German "nostalgia-tourists" back to their former home town, or the home of their ancestors. It is already listed in the new German railway timetable.

The inauguration this weekend was a half-hearted affair. The main dignitaries stayed away: there were no ministers of transport from Germany or Russia. No chief executives of the railways.

The celebration was left to the German private sector, which launched the initiative of rebuilding the 2km gap in the railway line where the Russians tore it up in 1947; and to the local administration of Kaliningrad, which is desperate to open links to the outside world. Moscow, Warsaw and the German government in Bonn were represented by lowly transport officials.

The truth is that the subject of Germany's links to its former Prussian heartland is acutely sensitive, and potentially embarrassing. The collapse of the Soviet Union has left the entire Kaliningrad region in limbo, a no man's land caught between its neighbouring states of Poland, Lithuania and Belarus, with no direct links to Russia, and its real historical ties to Germany.

With 900,000 inhabitants, 400,000 of them in the city itself, the region is little more than a glorified military garrison, the main base for the Russian Baltic fleet, and a point of return for Russian troops based in eastern Europe. Agriculture, which once supported vast estates of the aristocratic Prussian Junker families, has been all but abandoned, and the region has little to offer economically apart from a modest fishing industry, and an equally modest tourist potential.

Kaliningrad itself is a Soviet-style eyesore, with only a handful of ruins to mark its history. About 40 per cent of the city was destroyed by British bombers in 1944, and the rest was effectively levelled by Stalin's tanks and subsequent town planning.

Pauline, one-time Intourist-trained guide retrained in devastating frankness, admits that the city has been rebuilt in a style "both primitive and tasteless". Her German tourists are horrified that all that is left are the devastated ruins of the city cathedral, a hideous neo-classical tomb of the philosopher, Immanuel Kant, and a couple of gates from the old city walls.

The German government is acutely sensitive about any sign that it might be acquiescing in the "re-Germanisation" of Königsberg. Mr Helmut Schäfer, the minister of state at the foreign ministry in Bonn, was supposed to deliver a speech in the city last week. He sent his apologies, and a diplomat read the text instead. For Germany, he said: "There is no question of this territory belonging to the federal republic. The borders of united Germany are those of the previous federal republic, and the GDR."

The problem is that behind Germany's back, and behind Russia's back, a German-speaking population is returning. An estimated 10,000-15,000 Volga Germans, deported from their homeland by Stalin, have settled in the countryside around Königsberg in the past four years.

So the Bonn government, with backing from Moscow, has opened a "German-Russian house" to give them a meeting point. It plans to open a consulate next year. But it is adamant that it has no ulterior motives.

As for the railway line, nobody said it was just to Berlin. It would link Kaliningrad to the western world, they declared.

When the first trains left Berlin on Friday night, the departure board at the central station declared proudly they were travelling to Königsberg. When they returned on Sunday, the notice board was subtly changed: they were coming back from Kaliningrad, it confessed.

Hoover to go ahead with Dijon closure

By Guy de Jonquières in London

HOOVER, the US domestic appliance maker, said yesterday it had decided to go ahead with its controversial plan to close its vacuum cleaner factory in Dijon, France, and move production to Scotland.

The decision, announced in Paris by Mr Gerald Kamman, president of Hoover Europe, follows a sweeping management review of the company's operations designed to cut costs and restore profit.

The production transfer, which will create about 400 jobs at Hoover's plant in Cambuslang, near Glasgow, was first disclosed in January. It enraged the French government and Mr Jacques Delors, president of the European Commission, who accused Britain of poaching jobs.

Mr Kamman said last month that he was reconsidering the move and would be prepared to cancel it if he judged that it did not enhance the viability of the company. He said then that the Dijon plant was close to a profit on manufacturing, but that Hoover's sales in France had fallen sharply this year.

Mr Kamman was appointed head of Hoover's European operations and its UK business two months ago after Mr Bill Foust, his predecessor, was dismissed because of fiasco of the company's recent free flights promotion.

The planned closure, to be staged over the rest of this year, will mean the loss of about 600 of the 705 jobs at the Dijon plant. Mr Kamman said yesterday Hoover had drawn up a "social plan" costing FFr185m ($33.8m) to cover the redundancies.

Hoover said the terms of the move to Cambuslang, for which the British government has offered £2.5m ($3.8m) in regional aid, had not changed. It was still considering further cost-cutting measures.

Hoover Europe lost $67.1m last year, including a $55m restructuring charge, on sales of $501.9m. Maytag, the company's US parent, lost $315m last year and a further $10.5m in the first quarter of this year.

THE LEX COLUMN

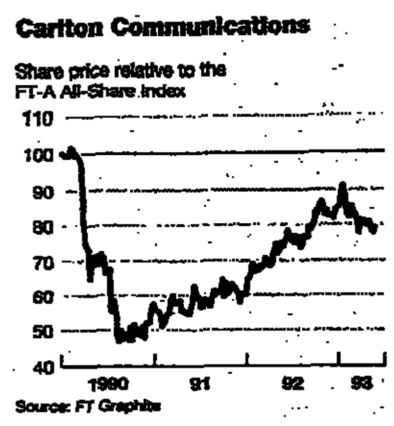
Telephone sales

The government is clearly learning on the job when it comes to pricing privatisations. For BT 2, it refined the book-building process to avoid selling shares too cheaply. Now it is bribing fund managers with preferential treatment if they buy the company's shares ahead of BT 3. Given the attractions of the issue, that may be enough to prevent institutions selling to beat the price down ahead of the tender. Indeed, in other circumstances, the tactic might be considered an inducement to ramp BT shares into the float. The normal retail discount will be required if private investors are to see even modest gains.

Once the Treasury has lost its financial interest in BT, uncertainty about regulation will increase. The likely timing of the Monopolies and Mergers Commission report into British Gas – which may arrive on ministers' desks just after the BT issue – falls at an uncomfortable time. Yet the MMC will doubtless be careful in framing its recommendations with regard to the impact on other privatised companies. While the trend is towards tighter regulation, experience suggests that the unknown attitude of Mr Don Cruickshank, the new director-general of Oftel, will be the deciding factor.

Perhaps the main hint about the postion of Mr Cruickshank will come from the degree to which he forces BT to account separately for the parts of its business. Such action might foreshadow an attempt to split BT, although Oftel has not so far taken that line. It would, however, make plain where the power for the cash-generating machine comes from.

FT-SE Index: 2825.6 (+13.4)



Carlton

It is tempting to view Carlton as an entertaining investment with reasonable growth prospects and a splash of recovery appeal thrown in for free. Its interim figures, showing a 16 per cent profit improvement and continuing progress on most fronts, seemingly contradict those who have chewed away at Carlton's shares since the start of the year.

The newly-consolidated Pickwick is contributing nicely. New video products appear to be faring well. Strong sales forecasts for the Aladdin video should also help polish up profits. Carlton TV is already producing encouraging results as the advertising market shows signs of life. The company's stakes in Central, GMTV and ITN further confirm just how formidable a force Carlton will be in terrestrial television – particularly if the government were to relax the takeover rules applying to TV franchises.

Even recent scare stories, which have so undermined the shares, contain more scare than story. Although alternative film distribution channels may eventually present a threat to Carlton video business, the big Hollywood studios are unlikely to risk them just yet. Nevertheless, despite all Carlton's attractions and its sub-market rating, it is doubtful whether the shares deserve to move much from here. Reuters, another unfashionable media giant, has fallen to a lower historic earnings multiple than Carlton. Reuters' growth prospects may be questioned, too, but there is no disputing the greater reliability of its income stream.

Royal Bank

There is more than one precocious offspring in Royal Bank of Scotland's brood. Direct Line insurance has overshadowed Citizens Financial, but the acquisition of the failed New England Savings Bank from the authorities continues a prodigious rate of growth in US banking this year. Both Citizens and its parent have enough capital to stand the strain. NatWest, the other clearer with ambitions in US retail banking, must be envious on that score despite yesterday's issue of preference capital. The only worry is that Royal Bank's capital strength gives it rope with which to hang itself.

By remaining a regional bank concentrating on retail business, Citizens has so far taken a conservative line. The arrangement to sell immediately the commercial loan assets of New England Savings is a case in point. If that policy is adhered to from here on, Citizens might avoid the kind of real estate loan losses which blighted NatWest Bancorp. But avoiding pit-falls is not enough to guarantee a decent return on capital. Royal Bank has seen only a modest return on its original investment in 1988.

Expanding Citizens' loan book and gearing-up its capital base are thus necessary to keep profits rising. While loan demand is slack, buying smaller rivals may be a safer way of proceeding than forcing growth from within – always assuming exhaustive due diligence procedures are followed. Royal Bank deserves credit for installing management with local knowledge. It has yet to prove it can keep a transatlantic grip during the growth phase.

Tesco

Five months after its announcement, Tesco's foray into France through the acquisition of Catteau looks even odder. With Tesco's mainstream business still under pressure, shareholders will hardly welcome management time being diverted across the Channel. The stock market is asking some tough questions about Tesco's performance in the UK – as shown by an above-market yield. Some convincing answers would be appreciated. By itself, though, Catteau will not do much harm, even if it does go horribly wrong, since it only accounts for a minuscule proportion of Tesco's total sales. It is what comes next that provokes the worries.

UK electricity

Professor Stephen Littlechild has once more rattled the threat of a Monopolies and Mergers Commission reference in front of the privatised electricity generators. That is pretty standard stuff, but the generators' victory in the battle over coal may also have cost them friends in Whitehall. The duopoly, always an anomalous structure, may thus be under threat, along with the companies' high dividend cover and strong cash flows.

In the short run, the government's 40 per cent stake may protect them. Further out, National Power and PowerGen may have to consider selling stations to reduce market share. The companies may also hope that Professor Littlechild's desire to shape the industry himself leads him to strike a deal directly rather than take a chance with the MMC.

BCCI depositors sue Bank for failing as regulator

By Andrew Jack in London

DEPOSITORS in the collapsed Bank of Credit and Commerce International yesterday issued a writ against the Bank of England for allegedly failing in its role as regulator.

Liquidators at Touche Ross, the accountancy firm, co-ordinated the legal action. It is believed to be the first time the Bank has been sued under banking law.

The move – which had been hinted at by liquidators over the last few weeks – was delayed by questions over whether the law would permit BCCI itself to sue the regulator.

But Touche Ross recently received a legal opinion from Sir Patrick Neill, QC, that while BCCI or its liquidators could not sue directly, individual depositors might be entitled to damages from the Bank.

The writ was issued in the names of a small number of depositors and alleges that the Bank failed to regulate BCCI properly in accordance with the 1979 and 1987 Banking Acts.

The Bank of England said yesterday: "We have been aware for some weeks that the liquidators were considering whether proceedings could be brought against the Bank. We believe we have a complete defence to them."

The Bank was criticised last year in a US inquiry chaired by Senator John Kerry and in a report commissioned by the UK government from Mr Justice Bingham, following which it introduced a number of supervisory changes and proposed amendments to legislation.

Three of the joint liquidators at Touche Ross wrote yesterday to depositors encouraging them to add their names to the writ. They said it would be "extremely difficult, expensive and impractical" for depositors to take action individually.

But the government of Abu Dhabi, BCCI's majority shareholder, hinted yesterday that it might commence its own legal action against the Bank.

"We have been actively looking at what claims we may have against the Bank of England and these investigations are at an advanced stage," a spokesman said.

The Touche Ross letter said it had been advised by Sir Donald Nicholls, who as vice chancellor is the senior chancery judge, that it could use liquidation funds to take legal action on behalf of depositors provided it distributed any award to creditors in proportion to their claims.

It stressed that the outcome of the litigation was uncertain and there was little precedent but it had been advised that the claim "has a fair prospect of success".

The Bank of England has been sued at least twice before in recent years. The 1987 Banking Act says the bank and its employees will not be liable for any actions or omissions unless it is shown to be "in bad faith".

Overhaul at EBRD is called for

Continued from Page 1

director of the budget from Mr Pierre Pissaloux, who remains the director in charge of Mr Attali's cabinet. The bank is looking for a new permanent budget director.

Mr de Neergaard's report said the audit committee was concerned at the "very low" level of commitments and disbursements of loans and investments by the bank in first quarter of 1993.

It "requested management's opinion as to whether it would be possible to reach even the lower end of the targeted commitments [of Ecu 2bn – $2.4bn] for the year as a whole".

As a result of this "low output", Mr de Neergaard urged the bank to place "particular emphasis ... on achievement of greater efficiency in merchant banking and development banking operations; the scrutiny of non-operational expenditure; the reduction of the ratio of consultants to permanent staff ... and the high proportion of centrally managed overheads".

Before the board meeting there had been discussion between the audit committee and the bank's finance department on whether the department should give a commitment to restrict the bank's ability to use underspending in some areas to offset overspending elsewhere without seeking board approval.

Some bank executives have been concerned that a reduction in their ability to transfer budget allocations between different cost centres would place excessive constraints on them.

But Mr de Neergaard's report says: "Committee members believed that, whilst there had been a need for considerable flexibility in the bank's early stages, this need was now less."

Job-creation plan for EC

Continued from Page 1

taxation systems"; new working time structures to share out jobs; "adaptibility at the workplace" and "new forms of work organisation"; training systems to bring more people into work and "anticipate structural change" in industry; and exploitation of "new areas of work" like environmental industries.

The potential for jobs in upgrading environmental standards is proposed as the strategy for the Belgian EC presidency beginning in July.

Owen to consult EC leaders

Continued from Page 1

and Moslems, but resoundingly rejected by the Bosnian Serbs.

Mr Churkin, who arrived in Belgrade yesterday in an attempt to persuade Yugoslav and Serbian leaders to accept the deployment of UN monitors along Serbia's borders with Bosnia, said the new Bosnian strategy reflected "some aspects of the implementation of the Vance-Owen plan".

He defended the Washington agreement and suggested that its fierce rejection by President Alija Izetbegovic of Bosnia was unwarranted. Mr Izetbegovic has asserted that it rewarded "Serbian aggression and genocide".

Frances Williams adds from Geneva: General Philippe Morillon, the UN commander for Bosnia, denied yesterday that the Vance-Owen peace plan was dead and said the safe havens established by the five-power deal reached at the weekend were "only a first step".

"All we are doing is in the spirit and the letter" of the Vance-Owen plan, he said after a 1½-hour meeting with Lord Owen in Geneva. "This is also what I understood in my reading of the declaration of the five."

World Weather

		°C	°F
Ajaccio	S	22	72
Algiers	S	30	86
Amsterdam	S	20	68
Athens	F	25	77
Bahrain	S	33	91
Bangkok	F	34	93
Barcelona	F	24	75
Beijing	S	26	79
Beirut	F	22	72
Belfast	C	15	59
Belgrade	F	23	73
Berlin	S	19	66
Bermuda	F	21	70
Bombay	C	29	84
Bordeaux	F	22	72
Boulogne	S	25	77
Brussels	S	26	79
Budapest	S	26	79
Buenos Aires	C	21	70
Cairo	S	28	82
Cape Town	F	17	63
Caracas	F	32	90
Casablanca †	F	21	70
Chicago †	S	17	63
Cologne	S	24	75
Copenhagen	S	21	70
Corfu	S	26	79
Dallas †	S	19	66
Dublin	R	13	55
Dubrovnik	S	24	75
Edinburgh	S	14	57
Faro	C	19	66
Florence	S	26	79
Frankfurt	S	24	75
Geneva	S	22	72
Gibraltar	F	19	66
Glasgow	F	18	64
Helsinki	F	15	59
Hong Kong		-	-
Innsbruck	S	26	79
Inverness	C	10	50
Islamabad	F	42	108
Istanbul	S	21	70
Jakarta	C	32	90
Johannesburg	S	23	73
Lisbon	C	15	59
London	S	22	72
Los Angeles †	C	17	63
Luxembourg	S	23	73
Madeira	F	19	66
Madrid	C	21	70
Majorca	S	32	90
Malaga	F	21	70
Malta	S	28	82
Manila	F	37	99
Melbourne	S	16	61
Mexico City	F	28	82
Miami †	S	26	79
Milan	S	25	77
Montreal †	R	12	54
Moscow	C	14	57
Munich	S	23	73
Nairobi		-	-
Naples	S	25	77
Nassau	F	28	82
New Delhi	S	41	106
New York †	C	18	64
Nice	S	21	70
Nicosia	S	23	73
Oporto	F	17	63
Oslo	S	24	75
Paris	S	23	73
Prague	F	17	63
Reykjavik	C	9	48
Rhodes	S	24	75
Rio d'Janeiro	F	29	84
Rome	S	25	77
Salzburg	S	23	73
S'Francisco †	F	14	57
Seoul	S	24	75
Singapore	F	31	88
Stockholm	S	23	73
Strasbourg	S	25	77
Sydney	S	16	61
Taipei	R	30	86
Tangier	F	21	70
Tel Aviv	S	25	77
Tenerife	C	19	66
Tokyo	F	22	72
Toronto †	F	16	61
Tunis	S	28	82
Valencia	S	22	72
Venice	S	23	73
Vienna	F	19	66
Warsaw	F	23	73
Washington †	S	19	66
Zurich	S	22	72

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle
F–Fair Fg–Fog H–Hail
R–Rain S–Sunny
Sl–Sleet Sn–Snow
T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday May 25 1993

INSIDE

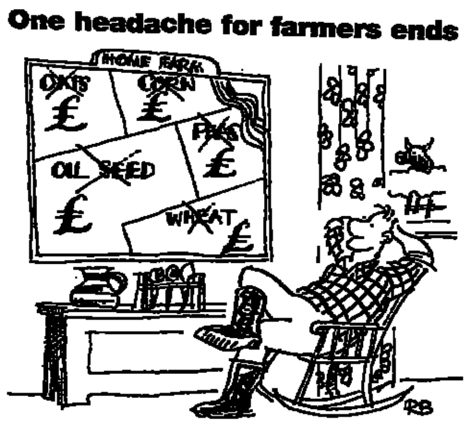
Suzuki unveils fall of 3% in year

Suzuki Motor, Japan's largest minicar producer and the world's third-largest motorcycle manufacturer, yesterday announced a 3 per cent fall in pre-tax profits to Y20.5bn ($186m) for the year to March. Page 21

Carlsberg flat midway

Weak demand in a number of markets, combined with adverse currency swings, has left Carlsberg, the Danish brewer, with profits little changed for the first six months. Page 20

One headache for farmers ends



The majority of British farmers who have filled in the necessary complicated forms to get compensation can now wait for the money to arrive. Page 26

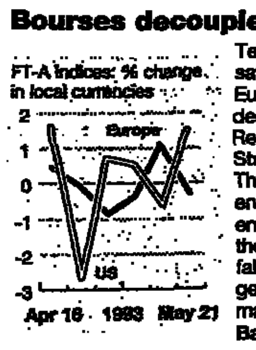
Dublin seeks Telecom alliances

The Irish government yesterday confirmed that it is seeking a strategic alliance for Telecom Eireann, its national telecommunications utility. However it emphatically ruled out privatisation. Page 24

Nikon falls into loss

Nikon, the Japanese camera and precision instruments manufacturer, yesterday reported a plunge into pre-tax losses of Y2.33bn ($21m) for the 12 months to March from profits of Y7.23bn the year before. This was the first loss incurred by the company since it was listed on the stock exchange in 1949. Page 23

Bourses decouple from the Dow



Technical analysts were saying last week that European bourses had decoupled from the Dow. Record highs on Wall Street on Wednesday and Thursday seemed to engender no answering enthusiasm on this side of the Atlantic. There were falls in Europe's three biggest equity markets – Germany, the UK and France. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Douglas	483	+	3	Air Liquide	719	+	13
Falls				Bancaire Cie	457.9	+	12.9
Altana	512	–	8	**Falls**			
DLW	445	–	6	Elf Sanofi	914	–	15
Holzmann Ph	970	–	7	Fonc Lyonnaise	632	–	18
Linotype-Hell	436	–	9	Gaumont (Soc)	541	–	19
VEW	256	–	7	Oram	116	–	9
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Hewlett-Packard	85¼	+	1⅝	Co-op Chemical	528	+	55
IBM	49⅝	+	1⅛	Janome Sewing	490	+	80
Motorola	79¼	+	1⅜	Japan Steel	1210	+	160
Falls				Tokyo Cosmos	484	+	58
Amgen	36¼	–	2⅛	**Falls**			
Kellogg	53⅞	–	2⅜	Hitachi Cable	785	–	35
Quaker Oats	72⅜	–	1½	Hokkaido Bank	520	–	30

New York prices at 12.30.

LONDON (Pence)							
Rises				Ocean Wilsons	59	+	8
Acorn Computer	112	+	29	Simon Eng	66	+	5
Argyll Group	317	+	15½	Sindall (Wm)	80	+	15
Barcom	104	+	10	Specialeyes	14	+	5
Britannia Grp	37	+	7	Storm Group	13	+	2½
Cackett	42½	+	3	UK Land	37	+	9
Cluff Res	43	+	9	Waverley Mng	26	+	5½
Crossroads Oil	17	+	4	**Falls**			
Cussins Prop	91	+	6	Brent Chems	98	–	6
Fairline Boats	390	+	44	Fyffes	100	–	5
Kewill Systems	155	+	12	Harrison Inds	6	–	1½
Linx Printing	124	+	6	Tiphook	299	–	12
Molynx	28	+	6				
Monarch Res	166	+	22				

Lopez denies he took GM papers to VW

By Christopher Parkes in Frankfurt

VOLKSWAGEN'S top executives fought back publicly yesterday against a renewed legal attack from arch-rival General Motors of the US.

Mr José Ignacio Lopez de Arriortua, whom, GM believes, took confidential documents with him when he defected from Detroit to VW last month, said the charge was "untenable".

"What did I bring with me? My personal knowledge and years of experience," Mr Lopez said. "A strong inner motivation. The will to realise quantum leaps at VW. No secret documents," he added.

"I can only imagine that GM has been so affected by my change that it wants to damage my credibility," he told selected journalists at a hastily-convened press conference.

Mr Ferdinand Piëch, Volkswagen chairman, publicly defended Mr Lopez. It was incredible that anyone should try to discredit not only his "irreproachable professionalism" but also the image of VW itself, he said.

VW was responsible for all its own technological progress and had not the slightest need to take out "loans" from competitors.

He could not discuss any other details of the legal confrontation because he had not yet seen the text of the charges.

The press conference, in Braunschweig, near Hannover, was called after General Motors announced on Friday that it had filed legal complaints in Darmstadt, near Frankfurt, after Mr Lopez quit GM to be promptly followed by seven group colleagues.

VW officials said yesterday that while the seven had filed counter suits against their former employer, Mr Lopez had not yet taken legal action.

Adam Opel, GM's German subsidiary, had earlier won a court injunction preventing VW from poaching its staff. According to Opel, Mr Lopez had targeted about 40 key purchasing and production employees.

Mr Lopez, a renowned cost-cutter, joined VW after a bizarre on-off tussle, as a key member of Mr Piëch's new management team brought in to restore the group's fortunes. VW lost DM1.25bn ($760m) in the first three months of this year.

Mr Lopez, a Basque, claimed he had no contract at GM, and denied rumours of multi-million dollar deals with VW. "I could earn a lot more today in the US than I get at VW," he added.

Solvay may be forced to close soda ash factory

By Andrew Hill in Brussels

FIERCE competition from the US and central and eastern Europe could force Solvay, the Belgian chemicals company, to cut up to 10 per cent of its soda ash production capacity this year – including the closure of its first soda ash plant in Belgium.

Solvay, which last month warned that 1993 earnings would fall steeply, has lodged formal complaints with the European Commission against alleged "dumping" of cheap natural US soda ash on the EC market, and asked for measures to protect the industry from cheap Polish, Bulgarian and Romanian imports.

Solvay said yesterday it would have to stop production at its 129-year-old Couillet plant in Belgium this year. Losses at the plant had grown to an "unacceptable" BFr800m ($23.95m) a year, despite repeated attempts to reduce fixed costs.

The group is also considering the closure of its Heilbronn soda ash factory in west Germany, and will concentrate on larger plants.

Up to 540 jobs could be lost at the factories, although sodium silicate and calcium chloride activities will be maintained at Couillet.

Last year, the group cut 1,700 jobs and a spokesman said yesterday that at least the same number would be lost this year.

Solvay said US and east European imports of 800,000 tonnes a year accounted for more than 13 per cent of total EC consumption of soda ash, which is used in the production of glass, detergent, soap, adhesives and paint.

Solvay, which pioneered the production of man-made soda ash, is the largest producer, but recession and overcapacity have hit the industry.

Excluding extraordinary items, Solvay's net consolidated profits fell 14 per cent last year, to BFr8.41bn from BFr9.79bn.

In the alkalis sector, including soda ash, earnings before interest, tax and charges slipped to BFr5.6bn from BFr6.13bn, although Solvay said yesterday that world demand for soda ash was still growing.

UK government offers encouragement to buy BT shares before sale

By Roland Rudd and Vladimir Matejovsky in London

UK INSTITUTIONAL shareholders which increase their holdings in BT, the UK telecom group, in the run-up to the sale of the government's 21.9 per cent stake will be given greater allocation.

The move, announced yesterday at the launch of the BT marketing campaign, is designed to prevent institutions from trying to depress the company's share price over the next few months.

Big shareholders which increase their stake in BT between May 21 and the close of the offer period in July will be given favourable allocation if, as expected, the offer is oversubscribed. The sale is worth more than £5bn ($7.7bn).

SG Warburg, the government's global co-ordinator, is anxious to avoid the row which flared up with institutions in the last sale of BT shares in 1991.

Lord Cairns, Warburg chief executive, said that he favoured offering a "carrot" by rewarding big shareholders which increased their BT holdings instead of using a "stick" by penalising institutions trying to depress the share price.

In practice, any institution which "aggressively shorts the stock", in an attempt to push the BT price down, is still likely to be penalised when the new shares are allocated.

Mr Tim Hirst, telecommunication analyst at Kleinwort Benson, which decided not to take part in the sale when it was not chosen as a global manager, said: "It looks like blatant rigging of the market." One UK fund manager said: "The government is trying to support BT's share price in advance of the sale of its shares which one would normally call rigging."

However, most UK institutions yesterday welcomed what several described as "Warburg's more constructive approach to the sale". As in previous sales, the new BT shares will be offered in three instalments expected to be spread over a period of 12 to 18 months.

The first instalment for retail investors will be announced in the middle of June and set at a lower price than the first instalment for institutions which will be set on June 29 when the prospectus is published.

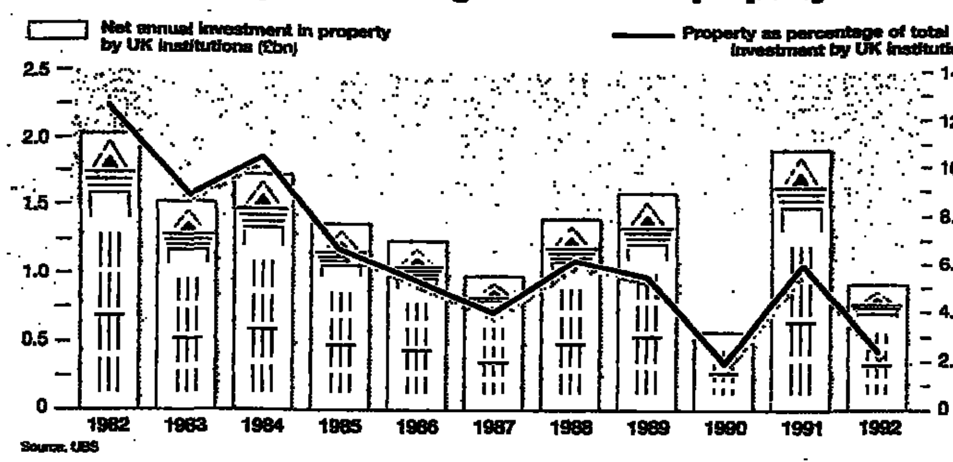
The second and third instalment will be the same for both investors; the last will be priced at the end of the offer period depending on the BT share price at the time.

At least half of the shares will be offered to small shareholders, who will be given incentives, such as bonus shares.

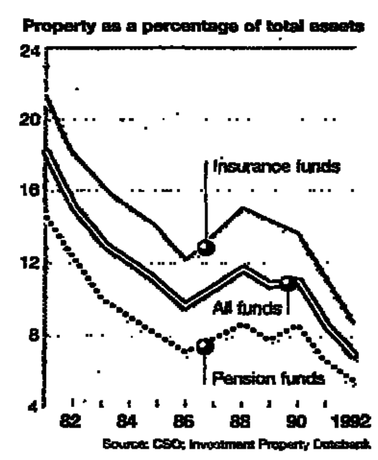
The government is writing to 18m households in the UK asking potential investors to register their interest in the sale.

Lex, Page 18

Investors ready to end long retreat from property



Source: UBS



Source: CSO; Investment Property Databank

Buildings take on new air of respectability

UK COMMERCIAL property, the pariah of the investment markets for the past three years, is edging back into favour, writes Vanessa Houlder.

A Gallup survey for Smith New Court reported last week that a balance of 12 per cent of UK fund managers want to increase their UK property holdings in May; two months earlier, the same survey found that a majority of funds wanted to disinvest.

Increased institutional interest in property has also been detected by agents. "There are definite signs of a sea change in investment activity," says Mr Greg Nicholson of Hillier Parker, chartered surveyors. "The institutions have moved back into the market." Increased demand has already pushed down investment yields in small pockets of the market, notably retail warehouses and high yielding office buildings in central London.

In part, the increased demand from institutions stems from the need to rebuild the balance of property in their portfolios, after the drastic underperformance of property in the past three years.

At the same time, a growing number of investors believes the property market is near the bottom of its cycle and will begin to recover within the next 18 months. The industry's prospects have improved significantly since sterling's withdrawal from the exchange rate mechanism, which paved the way for lower interest rates, economic recovery and potentially a revival in inflation, which enhances the investment appeal of assets like property.

The appeal of property can also be ascribed to its high investment yields, compared with those offered by equity and gilts. "It is a rational response to the economic circumstances we are facing," says Mr Peter Lyon, strategist at Smith New Court Securities.

But the enthusiasm for property is tempered by a number of caveats. On a practical level, the funds' investment criteria are so demanding that they have difficulty in finding property they are prepared to invest in. On a strategic level, many funds doubt whether property still has a valuable role to play in diversifying risk. The renewed enthusiasm for property is demonstrated by a relatively small number of funds.

In a market glutted with unwanted property, the difficulty in obtaining suitable buildings is a surprisingly serious obstacle. Finding stock is a "fundamental problem" says Mr Andrew Strang of Allied Dunbar, which invested about £100m over the last year.

Being risk-averse, most institutions want to buy properties with highly secure income streams. They have virtually no interest in the huge number of second-rate properties which overhang the market.

But the number of properties with long leases let to financially secure tenants is limited to as little as a fifth of the market; moreover, many are in the hands of long-term investors which are reluctant to sell.

As the economy recovers, concern about tenants' ability to pay the rent will ease. But even then, it is unclear whether institutions will be willing to invest in a wider range of properties. Changes to the UK commercial lease have reduced the security of income associated with property. Unless institutions adopt a less demanding stance on the security of property income, there could be a depleting stock of desirable acquisitions, forcing up prices of a limited number of properties still further.

This trend will only continue until an improvement in prices persuades existing investors to put more property on the market. This could happen sooner than most pundits think. A recent survey of investors' intentions by Gallup suggested that the institutions polled planned to sell nearly as much property as they intended to buy. The 37 institutions questioned said that, in aggregate, they would spend £770m and raise £750m from sales over the next year.

It is scarcely surprising that institutions' attitudes to property differ: the arguments for and against buying property are finely balanced. Although property yields have moved substantially above gilt yields for the first time in many fund managers' memories, that does not necessarily mean that property is cheap. Investors have to weigh up a property's generous yield against its limited prospects of rental growth, the risk of tenant default and costs arising from the building's physical deterioration.

Furthermore, attitudes to property differ according to the type of fund. The insurance companies have tended to be steadier and more enthusiastic buyers than the pension funds, many of which view property as too illiquid an investment medium.

Size has an important bearing on funds' appetite for property. The number of funds that are active in the property market has shrunk from 150 funds five years ago to a couple of dozen, according to the Investment Property Databank, a research group.

"Small funds are put off by the way that the market has become terribly complicated," says Mr Rupert Nabarro, a director of IPD. The property market is not homogeneous: it is split into many tiers depending on sector, region, tenant and type of lease.

Investors are also nervous about the erosion of tenants' responsibility to pay rent for the full duration of a 25-year lease, which stems from the improved bargaining position of tenants in an oversupplied market and from proposed changes to the law.

Many funds feel that property no longer has a role to play in their portfolios. In the 1970s, it was seen as a good way of hedging against inflation while reducing the risk and volatility of a portfolio. By 1981, property accounted for 24 per cent of life assurance companies' portfolios and 15 per cent of pension funds.

But property went out of fashion with the institutions in the 1980s. In real terms, the net investment in property by institutions between 1983 and 1992 was just over half the total for the previous decade.

This largely resulted from the removal of exchange controls that allowed funds to invest in overseas equities, which were often seen as a better way to diversify risk than property. In the five years to end-1992, institutions invested £33.2bn ($51bn) in overseas equities, compared with £6.5bn in UK property.

Some analysts, such as UBS, reckon that the balance between overseas equities and property may soon reach equilibrium, as they now represent about 18 per cent and 8 per cent of institutional funds, respectively.

But that does not necessarily mean that a larger proportion of new funds would be channelled into property. "The events of the past four or five years have damaged property's record of low volatility in returns, heightening investors' perception of the risk in property investment," says Mr John Atkins of UBS.

For all these reasons, the institutions are unlikely to play a large part in pulling the market out of its slump, as they did in the wake of the crash of 1974-75.

But those funds that do take the plunge have a strong case for believing that they are investing near the bottom of the property cycle. Although property has a slim chance of becoming fashionable, it may at least become respectable.

Oil and gas side helps OMV to cut operating loss

By Ian Rodger in Zurich

OMV, the Austrian integrated oil and chemicals group, reported a smaller operating loss in the first quarter due to recovery in its energy businesses. However, losses worsened in its chemicals and plastics operations.

The first-quarter loss was Sch135m ($11.8m) compared with a loss of Sch247m in the same period of 1992. Turnover was up 7 per cent at Sch20.33bn, but the group cautioned that the growth was due to the inclusion of new activities in its accounts.

OMV said the period was marked by better conditions towards the end of the quarter than at the beginning of the year.

The chemical division tumbled to a loss of Sch100m, after breaking even in the comparable period, because of "extremely difficult" conditions in industrial chemicals, such as melamine. Agro-chemicals, on the other hand, made a profit, as volume sales of fertilisers were high towards the end of the quarter.

A small increase in prices for plastics towards the end of the quarter was not enough to prevent a widened loss of Sch490m in this division.

The exploration and production division raised its profit from Sch50m to Sch180m due to an increase in crude oil prices and the sale of the Canadian subsidiary. One quarter of the C$180m proceeds was taken into the accounts.

The gas division's operating profit jumped 40 per cent to Sch450m on turnover up only 2.9 per cent to Sch2.12bn. The group said the profitability of importing, transporting and storing gas improved.

Weak demand restricts Carlsberg to flat period

By Hilary Barnes in Copenhagen

WEAK demand in a number of markets, combined with adverse currency swings, has left Carlsberg, the Danish brewer, with profits little changed for the first six months.

Pre-tax profits for the half-year ended March were DKr4m higher at DKr694m ($111.44m) after an improvement in net financial income to DKr214m from DKr190m.

Had earnings by non-Danish companies been translated at the exchange rates ruling a year earlier, pre-tax profits would have been some DKr50m higher, the group said.

Operating profits (after depreciation) dipped to DKr480m from DKr500m, including a DKr90m increase in depreciation. Sales were 8 per cent higher at DKr7.25bn, against DKr6.66bn.

The Carlsberg-Tetley joint venture in the UK, which came into effect from December 12 last year, are included in the results. The venture contributed to the rise in sales, although specific detail is not provided.

"It is much too early to say anything about Carlsberg-Tetley. It has been too short a period," said Mr Walther Paulsen, a member of the Carlsberg board of management.

The joint venture shows up in the balance sheet, with total assets of the group increasing to DKr18.29bn from DKr14.92bn at the end of September last year.

Carlsberg said that the recession would cause a decline in operating profits for the full year, but this would be offset by increased financial income, barring adverse foreign exchange and interest rate movements.

BCE to hold 16.5% in Talisman Energy

By Robert Gibbens in Montreal

BCE, Canada's biggest telecom group, will have a 16.5 per cent interest in Talisman Energy, the former BP Canada, as a result of tendering its Encor common and convertible preferred shares to Talisman under a revised offer.

The value of this holding will be about C$275m (US$217m) at present market prices.

BCE controlled Encor, the former exploration subsidiary of TransCanada PipeLines, through its holding of Encor common and convertible preferred. Talisman, now an independent upstream oil and gas producer, made an offer for Encor early this year and following criticism from institutional investors, revised it twice.

Encor shareholders late last week approved the latest offer.

BCE is expected to divert its Talisman holding later, because it has decided to leave the energy field and concentrate on its telecom business.

CEA Industrie profits decline 26%

By Alice Rawsthorn in Paris

CEA Industrie, the French atomic energy commission, yesterday announced a 26 per cent fall in net profits to FFr960m ($175.34m) for last year, from FFr1.3bn in 1991, due to the impact of adverse exchange rates and sluggish demand in some markets.

Meanwhile, France's new conservative government appeared to soften its line on the future of CEA's involvement with SGS-Thomson, the Franco-Italian microchip manufacturer. The industry ministry squashed speculation that CEA would reduce its involvement with SGS-Thomson, in which it is one of the main French shareholders, by saying it would retain its existing stake.

However, the ministry, which has already made clear it planned to adopt a far tougher approach in its relations with state-controlled companies such as CEA and SGS-Thomson, said long-term links between the two companies would be reviewed.

The new government has also stressed it would be much more rigorous in its provision of financial support to public sector concerns, although the industry ministry said CEA would continue to participate in the recapitalisation of SGS-Thomson.

CEA saw turnover rise from FFr38.9bn to FFr39.18bn last year, due largely to an increase in sales outside France. The proportion of sales generated from other countries rose to 34.3 per cent from 28.2 per cent over the same period.

The group identified its main problems last year as the difficult condition of the mining industry and poor demand for capital goods. CEA, like other French companies, was also affected in the closing months of 1992 by the strength of the franc following the September currency crisis.

Operating profits rose to FFr3.24bn from FFr1.68bn. But group net profits were hit by an exceptional deficit of FFr322m against an exceptional credit of FFr2.25bn in the previous year.

CEA does, however, hope to secure growth this year through the inclusion of SGS-Thomson's semi-conductor operations, the mines recently acquired from the Total oil group and the Sopha medical business.

Fondiaria to sell stake in Epic

By Haig Simonian in Milan

FONDIARIA, the Italian insurance group which is expected to announce heavy losses later this week, is to sell for DM170.9m ($105m) its one-third stake in the Epic insurance partnership.

Epic (European Partners for Insurance Co-operation) was set up in February 1992 by Fondiaria, Royal Insurance of the UK and Germany's Aachener und Münchener Beteiligungs as a step towards European insurance co-operation.

While each company decided to maintain its independence, European expansion outside their home countries was to have been co-ordinated.

Under the terms of Epic's creation, the stake has to be bought by AMB should Royal not buy it first. Epic's main activity is Royal's former Dutch business, and various other European business ceded by the three partners.

The latest move follows Fondiaria's DM985m sale this month of its 21 per cent stake in AMB to a group of German institutions.

As with the AMB shares, Fondiaria's Epic stake, held by its Latina subsidiary, will officially change hands only at the end of May 1994. The Italian company is likely to use a bank intermediary to receive the cash earlier to cut debts.

Fondiaria and AMB will also unscramble two remaining financial transactions, with Fondiaria selling AMB its 30 per cent stake in AMFO, the former Fondiaria Verwaltungs, for DM198m. AMFO controls 25 per cent of the former Volksfürsorge life group.

Meanwhile, Fondiaria will buy back the DM170m bond issued in 1990 and wholly underwritten by the AMB group.

Holderbank sees payout boost

By Ian Rodger in Zurich

HOLDERBANK Financière Glaris, one of the world's largest cement producers, expects its 1993 net profits to be "on a par" with the 1992 level of SFr390m ($264.85m).

Mr Thomas Schmidheiny, chairman, also indicated that the dividend for 1993 should be sharply increased following the 54 per cent rise in profit last year.

"The dividend certainly cannot remain at the previous level," Mr Schmidheiny said after the group's annual press conference. The directors have already proposed that the dividend for 1992 be maintained at SFr12.50 per bearer share.

Sales in the first quarter were up "1 or 2" per cent and profits were stable.

Mr Schmidheiny said the economic environment this year would be even tougher than that in 1992. "Regions experiencing buoyant construction activity can no longer expect impressive growth, and other areas are unlikely to see an upswing."

He expected a drop in demand in Europe and said the success of US operations depended largely on whether the recovery continued.

Latin American markets, which contributed substantially to the jump in group profits last year, were expected to produce "further gratifying results".

The group's total cement and clinker sales last year rose 12.2 per cent to 43.1m tonnes, with sales in Latin America rising 14.4 per cent to 10.3m tonnes and European sales up 18 per cent to 13.3m tonnes.

Return on operating assets was strongest in Latin America at 19.7 per cent followed by 9.9 per cent in Europe and only 0.4 per cent in North America.

Mr Schmidheiny forecast that the group's cement deliveries this year would rise 4.4 per cent to 45m tonnes.

Mr Urs Bieri, a member of the executive committee, said Holderbank was seeking to improve its market position in Asia, and was actively looking for acquisitions in Vietnam, India and China.

Rationalisation lifts Incentive to SKr83m

By Hugh Carnegy in Stockholm

PROFITS at Sweden's Incentive, the industrial group controlled by the Wallenberg family, were up by 54 per cent in the first quarter to SKr83m ($11.38m), excluding associated companies, from SKr54m despite flat demand in the group's main European markets which left sales unchanged at SKr2.98bn.

Incentive attributed the improved profitability to a rationalisation programme aimed at narrowing the group's focus on core engineering operations.

Last week, it announced the sale of its US hydraulics group, Hägglunds Denison Hydraulics, which has sales of around $100m, to a group of Swedish, US and British investors.

Mr Mikael Lilius, chief executive, said the effects of last autumn's devaluation of the Swedish kroner would have a positive impact on full-year earnings, which were forecast to improve over last year's SKr371m, excluding associated companies.

First-quarter profits after inclusion of income from shareholdings in Asea, Electrolux and Esab were SKr282m, compared with SKr238m a year ago.

Earnings per share, excluding non-recurring items, were up 5 per cent at SKr2, compared with SKr1.90.

Carlton Television in the black

By Raymond Snoddy in London

CARLTON TELEVISION, the new London independent television company, went into trading profit in its third month on air, a better performance than expected.

The company, which took over from Thames Television on January 1, lost £4.2m ($6.46m) in the first quarter compared with the £5m to £10m forecast and, as advertising revenues continue to rise, is not expected to slip into trading loss again.

The loss, which is likely to be overturned in the full year, includes the bid money paid to the government as well as interest on the £80m launch costs.

The first news on Carlton Television came yesterday as its parent, Carlton Communications, announced a 16 per cent increase in pre-tax profits to £55.1m for the six months to the end of March. Turnover rose 57 per cent to £508m and earnings per share was up 14 per cent to 18.3p. The interim dividend is up 10 per cent to 7.4p.

Mr Michael Green, chairman of the broadcasting and television services group, said it still had net cash of £50m after the financing costs of Carlton Television. "The year has started well and Carlton is confident that the outcome for the year as a whole will show continued progress," Mr Green said.

Carlton Communications' results were in line with market forecasts. Its share price closed down 1p at 733p.

Carlton has made clear it is interested in buying a leading ITV company if the ownership rules change. Under the 1990 Broadcasting Act a company such as Carlton which is defined as large could only take over one of the smallest five ITV companies.

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Baer Holding to increase dividend

By Ian Rodger

BAER Holding, the holding company of the Julius Baer private banking group, has proposed a dividend of SFr25 per bearer share for the year to March 31 1993, up from SFr23.

The dividend on the tightly-held registered shares is to rise from SFr4.60 per share to SFr5.

The company's non-consolidated net profit rose 6 per cent to SFr41.9m ($28.45m).

Baer Holding also proposes changing its year-end to December 31 to coincide with that of the group. The group has already reported net income of SFr67.7m for calendar 1992, up 15 per cent.

Injection of FM700m for Skopbank

By Christopher Brown-Humes in Stockholm

FINLAND'S government guarantee fund has agreed to inject a further FM700m ($125m) into Skopbank, one of the country's leading banks, to ensure it continues to meet international capital adequacy requirements.

The infusion, which will be used to subscribe to the bank's capital certificates, means the bank has now received FM3.7bn in support from the government guarantee fund and a further FM600m in state preference capital to help it over Finland's banking crisis.

A further FM13.8bn was invested in a rescue of Skopbank by the Bank of Finland in September 1991 prior to its transfer to the state's guarantee fund in June 1992.

Last year, the bank sustained a FM3.61bn loss and its capital adequacy ratio slumped to 8.2 per cent at the year-end, just over the 8 per cent international minimum. Skopbank had already indicated it might need FM1.5bn of extra support this year.

The government has yet to decide on the future of Skopbank, the central bank for Finland's savings banks, and the Savings Bank of Finland, which is also in state ownership.

Merrill Lynch is currently studying reorganisation options for both banks, including a merger of the two. Earlier discussions which might have led to them being taken over by Kansallis-Osake-Pankki, the country's leading commercial bank, have been adjourned, pending the presentation of the Merrill Lynch report.

The government guarantee fund owns 63 per cent of the votes in Skopbank and 53 per cent of the shares.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements of England and Wales.

Half hour period ending	Provisional Prices for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	19.00	18.46	18.46
0100	19.00	18.11	18.11
0130	19.81	18.74	18.74
0200	19.54	40.25	43.77
0230	18.54	40.25	43.70
0300	18.53	23.00	23.00
0330	18.49	18.74	18.74
0400	18.49	18.70	18.70
0430	18.49	18.54	18.54
0500	18.46	18.50	18.50
0530	18.51	18.49	18.49
0600	18.45	18.49	18.49
0630	18.54	18.63	18.63
0700	23.68	24.54	27.45
0730	25.07	25.47	28.31
0800	26.62	26.87	29.76
0830	26.32	35.11	38.27
0900	26.63	35.17	38.36
0930	27.34	27.40	30.32
1000	27.34	27.40	30.32
1030	27.34	26.94	29.85
1100	27.35	26.96	29.87
1130	31.09	27.43	30.38
1200	34.06	27.45	30.39
1230	34.05	27.42	30.34
1300	34.03	27.35	30.22
1330	27.38	27.28	30.10
1400	27.38	25.48	28.24
1430	25.50	25.48	28.24
1500	25.50	25.48	28.23
1530	25.50	25.47	28.23
1600	25.51	25.48	28.24
1630	28.53	27.26	30.07
1700	34.04	34.36	37.38
1730	34.03	34.35	37.37
1800	28.51	34.34	37.40
1830	28.50	25.40	28.19
1900	24.96	25.40	28.19
1930	24.96	25.40	28.20
2000	24.36	19.00	19.00
2030	23.95	19.00	19.00
2100	23.95	33.81	36.84
2130	29.92	35.00	38.03
2200	29.92	35.00	38.06
2230	24.50	25.52	28.31
2300	24.50	26.52	28.85
2330	23.68	25.52	28.38
2400	23.44	19.00	19.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0807-456788 between 8:30am and 5:15pm Monday to Friday.

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INTERNATIONAL COMPANIES AND FINANCE

JAPANESE ROUND-UP

Government to oversee liquidation of bank

By Robert Thomson in Tokyo

THE JAPANESE government is to oversee the liquidation of a financially-troubled credit association in Kamaishi, northern Japan, after fears that a disorderly collapse of the institution could undermine confidence in the regional banking system.

Assets of Kamaishi Shinkin Bank, which has Y44.8bn ($406m) in deposits, will be distributed among a larger bank in the same area, Bank of Iwate, and two other institutions under a liquidation plan drafted by the Bank of Japan and the finance ministry.

The government plans to use funds from the Deposit Insurance Corporation (DIC), which insures deposits for up to Y10m, to ensure the success of the liquidation.

Funds from the DIC have been used in the past to facilitate a merger of a troubled bank, but this is the first time money will be used for a liquidation, suggesting that the government was unable to find a larger institution willing to take over the bank, as is customary in these cases.

It is expected that between Y10bn and Y20bn in funds will be needed from the corporation to cover losses at Kamaishi Shinkin, an institution similar to a credit union and traditionally reliant on small companies for its business.

Officials at the bank, which has 12 outlets, blame its plight on a particularly severe recession in the area brought on by troubles in the fishing industry and the closure of a large steel mill. However, they also hinted yesterday that "illegal lending" could also be responsible and promised to launch an investigation.

Government officials indicated that there were "management" problems at Kamaishi Shinkin, which generally means that an institution became carried away during the frenzied years of the late 1980s, when lending to stock and property speculators by Japanese banks was common.

Kamaishi Shinkin says there has been no evidence of a run on its deposits, which have been stable over the past year, but it has an increasing pile of non-performing loans. A bank official said yesterday that "we thought there may be trouble because of the publicity", but there were no queues of depositors.

The Bank of Japan and the finance ministry were particularly concerned an unseemly collapse would fuel rumours that a range of small regional institutions are unstable, prompting a run on those banks or credit associations.

Weak domestic demand hits Suzuki

By Michiyo Nakamoto in Tokyo

SUZUKI Motor, Japan's largest minicar producer and the world's third-largest motorcycle manufacturer, yesterday blamed a 3 per cent fall in pre-tax profits to Y20.5bn ($186m) for the year to March on a combination of weak domestic demand, higher non-operating costs and a plunge in financial income due to lower interest rates.

Suzuki, however, reported a 34 per cent rise in operating profits to Y22.9bn, helped by higher sales and a rise in productivity.

The results highlight the contrasting economic climates of developing countries, where the company's products have been in strong demand, and Japan, where demand for both motorcycles and cars has been weak.

Strong demand for motorcycles in south-east Asia, China and Latin America offset otherwise difficult trading conditions for Suzuki, taking sales marginally higher to Y1,053bn from Y1,047bn previously.

Outside Japan, particularly in developing countries where Suzuki has been focusing its efforts, the company benefited from rising demand for its knock-down price compact cars and for its motorcycles in south-east Asia and South America.

Exports of motorcycles rose 38 per cent in unit terms, helping sales of motorcycles overall to increase by 18 per cent.

In the domestic market, Suzuki – which is 3.4 per cent owned by General Motors of the US – suffered from sagging demand for both minicars and motorcycles, with sales dropping by 21 per cent and 9 per cent respectively in unit terms.

The strength of the yen was a depressing factor, with exchange rate losses accounting for Y3.7bn. The company expects the high yen and persistent economic weakness at home to continue to cloud its prospects in the current year.

Suzuki is forecasting a moderate improvement in sales to Y1,055bn but a fall in pre-tax profits to Y20bn for the year to March 1994.

Tokio Marine and Fire receipts increase

By Robert Thomson

TOKIO Marine and Fire Insurance, the largest Japanese non-life company, reported 5.6 per cent growth in premium receipts in the year ending in March, as the industry generally benefited from a higher rate card during the period.

Pre-tax profit at Tokio Marine was down 1.4 per cent to Y83.7bn ($758m), but the non-life companies have fared better than many Japanese financial institutions, hard hit by the collapse of stock and property prices over the past three years.

Loss ratios for Tokio Marine were highest in the marine area at 83.6 per cent, and lowest on fire-related business at 39.5 per cent, down from 92.5 per cent in the previous year. Loss claims on car-related policies, accounting for just under half of the total, were running at 63.1 per cent, unchanged from the previous year.

Tokio Marine said unrealised gains on securities holdings were Y1,931bn at end-March, compared to Y1,955bn a year earlier, though gains on foreign securities holdings fell from Y3.3bn to Y428m.

For the current year, the company expects premiums to expand to Y1,230bn, reflecting the impact of a 10.6 per cent rise in premium charges in April, following a 7.4 per cent increase in mid-1991. Pre-tax profit is forecast at Y91bn, a gain of 8.7 per cent.

Mitsui Marine and Fire Insurance reported 4.2 per cent growth in premiums, and a 36.6 per cent lift in pre-tax profit to Y28.4bn. It reported a similar loss ratio to Tokio, 64.4 per cent, on car-related policies, 77 per cent in the marine area, and 37.8 per cent on fire, down from 65.3 per cent.

This year, Mitsui Marine is expecting that premiums will rise from Y548.6bn to Y600bn, and forecasts a pre-tax profit marginally higher at Y29bn.

Yasuda Fire and Marine Insurance reported 4.6 per cent growth in premiums, but a 7.2 per cent fall in pre-tax profit to Y37bn. However, the company expects premium growth of almost 10 per cent to Y880bn this year, and a pre-tax profit of Y38bn.

Pre-tax profits were flat at Sumitomo Marine and Fire Insurance, 5 per cent higher at Nichido Fire and Marine Insurance, and 22 per cent lower at Dai-Tokyo Fire and Marine Insurance.

Yamanouchi Pharmaceutical slides 6.5%

By Wayne Aponte in Tokyo

YAMANOUCHI Pharmaceutical, a leading Japanese drug manufacturer, yesterday blamed lower interest rates and capital increases at overseas subsidiaries for a 6.5 per cent fall in pre-tax profits to Y57.1bn ($517m) for the year to March.

Net profits dropped by 13 per cent to Y27.2bn last year, while sales rose 7.9 per cent to Y243.6bn due to steady demand for the company's anti-ulcer drug in the Japanese market.

Yamanouchi's shares, which trade on the first section of the Tokyo stock exchange, were under pressure from profit-taking during yesterday's session, ending Y60 lower at Y2,480.

Mr Toshide Yoda, a pharmaceutical sector analyst at UBS Securities, predicts pre-tax profit declines for the overall drug industry once the government establishes a fixed-priced system in an effort to control the expansion of healthcare costs.

Drugs totalled about 30.8 per cent of the entire healthcare bill in Japan last year, compared with less than 15 per cent in most western countries, he said.

Yamanouchi expects a slight growth in unconsolidated pre-tax profits at Y57.5bn for the current financial year, with net profits at Y28bn, and a 6.7 per cent increase in sales to Y260bn.

● **Fujisawa Pharmaceutical**, the Japanese drugmaker specialising in antibiotics, reported a 46.6 per cent rise in pre-tax profits to Y22.7bn last year due to strong sales of oral drugs. These sales increased by 4.2 per cent to Y236bn.

However, the Osaka-based company posted a sharp 76.9 per cent fall in net profits to Y1.3bn due to substantial evaluation losses on its holding of shares of Fujisawa USA. These losses totalled about Y6.5bn.

The company expects unchanged earnings for the current fiscal year, with pre-tax profits at Y21bn, and sales at Y236bn.

● **Shionogi**, a pharmaceutical maker engaged mainly in antibiotics, yesterday announced pre-tax profits climbed by 11.0 per cent to Y21.6bn for the last fiscal year, and attributed the gain to steady demand. Net profits increased by 15.8 per cent to Y8.4bn, while sales moved 5.9 per cent higher to Y239.8bn.

Fund cancellations behind Kenwood's Y5.4bn deficit

By Robert Thomson in Tokyo

KENWOOD, the Japanese audio equipment maker, reported net losses of Y5.4bn ($49m) for the year to March after cancelling securities investment funds and restructuring an ailing financial affiliate.

The difficulties at Kenwood, which reported net profits of Y2.7bn in the previous year, are typical of those facing manufacturing companies which established special investment trusts in the late 1980s.

Kenwood is also taking the typical route of electronics companies by expanding manufacturing operations in China and Malaysia and cancelling a planned telecommunications plant in Japan, where relative costs have been pushed higher by the yen's appreciation.

The plunge in Tokyo stock prices forced Kenwood to report extraordinary losses of Y9.5bn, marking the end of its indulgence in zaiteku, the financial engineering which became increasingly ambitious during the so-called "bubble era". Pre-tax profits slid 33 per cent to Y4bn, the first fall in 11 years. Sales, which rose 1.9 per cent to Y210bn, were supported by strong demand from east Asian markets.

Nikon turns in first loss since stock listing

By Michiyo Nakamoto

NIKON, the Japanese camera and precision instruments manufacturer, yesterday reported a plunge into pre-tax losses of Y2.33bn ($21m) for the 12 months to March from profits of Y7.23bn the year before. Sales fell 11 per cent to Y204.9bn.

This was the first loss incurred by the company since it was listed on the stock exchange in 1949. It followed depressed demand for its semiconductor equipment and precision instruments caused by a sharp downturn in capital spending by Japanese corporations.

At the net level the company managed to stay in the black with profits of Y219m, down 93 per cent from Y3.32bn.

Nikon, which depends for 54.4 per cent of sales on exports, said its camera sales had also been under pressure due to the downturn in consumer spending in Japan.

Compact cameras performed relatively well, but sales of single-lens reflex cameras and interchangeable lenses had been disappointing.

Precision instruments were particularly hard hit by the decline in capital spending by semiconductor manufacturers.

Sales of Nikon's machinery division plunged 35 per cent in the domestic market against 4 per cent overseas.

Continuing weakness in capital spending by corporations and the slump in personal consumption, the sharp appreciation of the yen, trade friction and sluggishness in EC markets were expected to work against the rapid recovery of markets, Nikon said.

The company was working to raise efficiency, slim down operations and cut costs, it said. For example, it had moved some production to Southeast Asia for the first time in order to deal with the stronger yen.

Barlow Rand holds dividend despite fall in half-way earnings

By Philip Gawith in Johannesburg

BARLOW Rand, South Africa's largest industrial company, yesterday announced it would maintain its interim dividend at 54 cents per share despite a 5 per cent fall in earnings per share to 196 cents in the six months to March from 207.3 cents a year earlier.

Although the company predicted a sharper decline in profits in the second half, Mr Warren Clewlow, chairman, said he remained confident that the total dividend would be maintained at 173 cents per share. The results were in line with market predictions and followed a warning in January from Mr Clewlow that profits were likely to be down.

Mr Derek Cooper, managing director, said the results – Barlow accounts for about 10 per cent of South African GDP – showed that the economy was "certainly not buoyant". It was difficult to see any improvement in the economy before 1994, and he cited business confidence and a political settlement as the key ingredients in any upturn. He said he "remained optimistic that the politicians are on a path of reasonable settlement."

Turnover rose by 10 per cent to R18.7bn ($5.9bn) from R17.1bn, but pressure in virtually all sectors manifested itself in a 5 per cent drop in operating profits, before interest, to R1.3bn from R1.37bn. Interest paid fell by 9 per cent to R279m from R305m as a result of lower interest rates and reduced borrowings following the sale of Middelburg Steel in December 1991. Attributable profits fell by 4 per cent to R384m from R400m.

Results across the group were patchy. Some sectors performed well, notably packaging, pharmaceuticals, paint and motor interests and electronics. Other areas such as food, white and brown goods and earthmoving equipment struggled. A breakdown shows the main contributors to attributable earnings were:

- Mineral resources (mostly coal) – 23 per cent;
- Industry – 32 per cent;
- Packaging and textiles – 16 per cent; and
- Food and pharmaceuticals – 18 per cent.

Mr Cooper said a feature of the results was that about 43 per cent of attributable profits came from consumer-oriented companies compared with 30 per cent three to four years ago. The main strategic thrust of the group in recent years had been to move away from commodities and closer to the consumer, seen to be the main growth area in future years as urbanisation continues.

Finanzauto, Barlow's recently-acquired Caterpillar dealership in Spain, was badly affected by the decline in the Spanish economy and traded at a "substantial loss". Mr Cooper said Finanzauto's losses would continue for the rest of the financial year, but said Barlow's management and information systems were now in place and he anticipated an upturn in the new year.

Hyundai to reduce subsidiaries

HYUNDAI, South Korea's largest business group, is to merge a number of its subsidiaries, reducing them from 44 to 36, AP-DJ reports.

It will merge Korea Industry Service and Hyundai Steel Tower into Hyundai Electric; Hyundai Resources Development into Hyundai Corp; and Hyundai Robot Industries into Hyundai Electronics. It will also sever managerial control of Keumgang Development Industrial; Hanmoo Shopping; Hyundai Marine and Fire Insurance; and Hyundai Aluminum Industry.

INTERNATIONAL COMPANIES AND FINANCE

Profits warning lowers Kellogg's share price 5%

By Jeremy Bennallack-Hart in New York

A WARNING on second-quarter earnings sent Kellogg's share price sharply lower yesterday.

The US cereals group expects earnings per share in the quarter to be about 10 per cent lower than the 68 cents in the same period last year.

It sees record earnings per share for the full year but achieving double-digit growth over last year's $2.75 a share "will be challenging", it added.

By early afternoon, the shares were down $2¾, or some 5 per cent, to $53⅞ on Wall Street.

Mr Arnold Langbo, chairman and chief executive officer, said they were being hit in the short term by "slower-than-expected recoveries from recession in key markets such as Europe, Mexico and Australia. These conditions are being complicated by unfavourable foreign currency exchange rates and by trade inventory adjustments."

The company remained optimistic about its global growth prospects.

Last month, the group reported first-quarter earnings per share 7 per cent higher at 74 cents, excluding one-off items.

● General Mills, the packaged foods and restaurants group, is to restructure some of its consumer foods manufacturing facilities and close some restaurants to help offset the impact of expected new federal tax and healthcare policies.

The company said yesterday it would take a fourth-quarter charge of $45m to $50m (28 to 30 cents a share). It expected the actions to lead to $15m in after-tax savings savings (9 cents) in fiscal 1994.

A total of 31 of the company's 1,075 restaurants in North America will be shut down, half of the closures coming in Canada.

Mr Bruce Atwater, chairman, said fourth-quarter operating performance was expected to be on target as were the full-year results before exceptional items.

US marketmakers fight back against the nerds

ON THE wall of an office at the small upstate New York securities firm of All-Tech Investment Group, a magazine headline is proudly displayed. It reads: "Revenge of the Nerds".

To the All-Tech clients occupying the office, the headline is an in-joke, a reference to the fact they spend their days in windowless rooms staring at computer screens filled with stock prices.

To the marketmakers and dealers of the big Wall Street firms, the people at All-Tech - a collection of former bartenders, truck drivers, accountants and beauty consultants turned "professional investors" - are nerds of the most annoying kind.

Although they classify themselves as investors, the men and women who have found a second career buying and selling small amounts of stock via a computerised automatic share execution system, are essentially stock market traders. They spend their days trading on the Small Order Execution System, a system run by the National Association of Securities Dealers. SOES was established in 1988 to allow individual investors to buy and sell small amounts of stock, without having to go through an intermediary.

At All-Tech, the SOES traders concentrate on the market-makers' quotes – the prices at which marketmaking firms indicate they are willing to buy and sell shares – waiting for one marketmaker to lag behind in updating his quote when a share price moves.

When they spot these temporary price discrepancies, SOES traders immediately buy or sell the stock at the price quoted by the slow marketmaker. The marketmakers cannot escape the trade, because under SOES rules, they must take up to 5,000 shares worth of trades before changing their quote.

A few minutes later, when all the prices have moved back in line, the traders unwind their earlier order. If they bought a stock low, they sell it back high, if they sold high, they buy it back low. The difference represents their profit.

Although the amount of stock traded each time is small, those profits can add up. If a trader exploits a quarter of a point (25 cents) difference between marketmakers' prices, he can earn a $250 profit on the maximum SOES trade of 1,000 shares.

Good SOES traders can pocket several thousand dollars a week, and the very best earn an annual income well into six figures.

There is nothing illegal about what SOES traders do, yet marketmaking firms on SOES are so angry at being "picked off" by the traders they have pushed the NASD into taking action.

In the past few months the NASD has tried to change some key SOES rules to curb the SOES traders. It narrowed the definition of "professional traders", who are banned from using SOES, to anyone trading on the system more than four times a day.

Since then, the NASD has proposed other changes, including reducing the order size from 1,000 shares to 500 for which marketmakers must guarantee firm quotes on SOES, and giving marketmakers more time to change their quotes after taking the first automatic order. Ultimately, the NASD wants to change SOES from an automatic trade execution system to a simple order delivery system that will give marketmakers the choice of accepting or rejecting customer business.

The tightening of the "professional trader" definition has not hurt the SOES traders because the rule change has been temporarily blocked while All-Tech and other firms challenge it in the courts. The other proposed changes are before the Securities and Exchange Commission, awaiting approval.

Small investors, defined as 'professional traders', are upsetting some of Wall Street's biggest firms. Patrick Harverson reports

The NASD justifies attempts to shut the traders out of SOES on the grounds they are exploiting a system designed for small investors, not professional traders. A NASD spokeswoman says: "They are not investors, because they immediately unwind their trades after executing them."

The NASD also contends marketmakers are losing money because of the SOES traders. There are 29 brokerage firms offering a home to SOES traders, and at times, says the NASD, marketmakers are hit by "wave after wave" of automatic orders from these traders, leaving them thousands of dollars out of pocket each time.

Moreover, the NASD insists marketmakers are not the only ones to suffer from the SOES traders' activities. It says that, to make up for losses incurred at the hands of the SOES traders, marketmakers have been widening price spreads – something that hurts all investors who use the system. Additionally, the NASD says the traders' activity increases stock price volatility and damages liquidity.

The SOES traders deny such claims. Mr Harvey Houtkin, chief executive of All-Tech, says there is no convincing evidence the traders have either forced marketmakers to widen their spreads, or their activities have added to volatility. Mr Houtkin says his customers add liquidity to the market.

He fears if the NASD is allowed to change its rules SOES will be placed off-limits not just to his clients but to a wide range of users, hindering efficiency and liquidity in the OTC market. Ultimately, Mr Houtkin says the NASD, which bills itself as the stock market of the 21st century, will kill off the one trading system with the potential to be the blueprint for the market of the future.

There is now an uneasy impasse between the two sides, with the court not expected to rule on All-Tech's appeal for several months.

While trading on SOES is only a small part of the total business conducted on US stock markets, the row between the NASD and the traders has wider implications.

At a time when the Securities and Exchange Commission is investigating possible changes to the structure of US stock markets, the SOES controversy raises an important question: who does the NASD run its stock market for – investors, or the marketmaking professionals who operate the system?

The people at All-Tech and advocates of computerised trading in the US argue that if the NASD were putting the interests of investors first, it would not only allow them to trade on SOES, but would also develop SOES into an automated trading system on which everyone – big and small investors, brokers and marketmakers – could trade directly with each other. Only then, says Mr Houtkin, would the NASD live up to its billing as the stock market for the next 100 years.

Fermenta back in the black at 4-month stage

By Christopher Brown-Humes in Stockholm

FERMENTA, the Swedish pharmaceuticals group, made a profit after financial items of SKr8m ($1.1m) in the first four months, turning round a SKr29m loss in the corresponding period of 1992.

The company attributed the improvement to lower interest costs and favourable foreign currency movements.

It said it expected the full-year result to be considerably better than last year, when it recorded a loss after financial items of SKr115m. Fermenta is anticipating a positive operating result and even a positive overall result, although currency and interest rate factors will not be as beneficial over the rest of the year as in the first four months.

Turnover in the first four months amounted to SKr174m, up 25 per cent from SKr139m last year.

The group said increased volumes and the stronger dollar contributed to the rise, which amounted to 50 per cent when adjusted for comparable units. The profit after extraordinary items was SKr8m, compared with a SKr49m loss last year.

The group's financial position has strengthened markedly over the last year, following a refocusing on its core pharmaceutical activities. Interest-bearing debt amounted to SKr310m at the end of April, compared with SKr1.72bn a year ago, and SKr734m at the end of last year.

Microsoft NT deliveries near

By Geof Wheelwright in Atlanta

US INVESTORS and financial analysts are expected to react positively to Microsoft Corporation's announcement yesterday that it would ship its long-awaited new Windows NT personal computer operating system within the next 60 days.

Microsoft is conservatively estimating it will sell 1m copies of the product in the first year.

It is aware that many of the world's corporate users of mid-range and high-end computer systems are likely to be cautious about the first significant new operating system in almost 10 years.

Microsoft has sold 25m copies of its PC-based Windows operating environment and sales are steady at about 1m copies per month.

NT costs $295 to customers who already own Windows. The standard price is $495 and an advanced version for corporate computing will sell at $1,495 in the first six months.

Mr John Dodge, executive editor of the US trade magazine PC Week, says Microsoft must know that some analysts on Wall Street have over-ambitious expectations for the product.

He points out that NT is unlike earlier versions of Windows in that it is designed primarily for use with the more expensive "file server" systems - large computers shared by many users.

It is designed for users who need substantial computing power and for "enterprise-wide" applications developed by large corporations.

Windows NT is also distinctive in that it has been developed to run on microchips from the US electronics companies Intel, MIPS and Digital Equipment – all of which is likely to introduce greater competition into the high end of the computer hardware market.

Microsoft believes NT will appeal to corporate customers, and paraded a number of users from corporate test sites at the press conference announcing the product.

One of these was the UK's National Westminster Bank, which is using an NT-based workflow system to redesign completely how work is assigned throughout its credit card, telesales and loan applications systems.

US stores group to spend $4.6bn over 5 years

By Jeremy Bennallack-Hart

MAY Department Stores, the St Louis-based retailer, is to invest $4.6bn over the next five years in opening 100 department stores and 1,200 Payless ShoeSource stores.

The expansion was announced at the annual meeting, when Mr David Farrell, chairman and chief executive, said the company expected record sales and per-share earnings in 1993. Earlier this month, the retailer reported first-quarter net earnings of $96m, up from $81m, on net retail sales 5.3 per cent higher at $2.32bn.

The company planned to open 13 department stores and 225 Payless ShoeSource stores this year.

Pre-flotation boost for Argentine oil group

By John Barham in Buenos Aires

ARGENTINA'S state-owned oil company, YPF, reported a 123 per cent increase in operating profits to $390m in 1992, despite a 7 per cent decline in sales revenues to $3.91bn, according to a provisional prospectus leaked to a Buenos Aires newspaper yesterday.

The government, which owns 100 per cent of YPF, plans to sell up to 70 per cent of the company in a local and international share flotation scheduled for July 2.

The flotation is expected to raise $2.5bn, making it one of the biggest privatisations yet in Latin America and among the largest in the world this year.

However, the government has restricted data on the company's financial performance pending approval of its application for listing in the US.

Government officials confirmed the data, published in a special eight-page supplement in Ambito Financiero, a business daily, was largely correct, but warned final figures for 1992 were likely to be slightly different due to revisions to fourth-quarter figures. The final version of the prospectus will also contain financial information on the first quarter of 1993.

The fall in sales and a 9 per cent decline in assets to $7.42bn reflect the government's policy of selling off non-core YPF businesses in the run up to privatisation.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, May 24, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	64.6579	39.5024	58.641
Albania	(Lek)	168.41	109.713	67.0288	99.5036
Algeria	(Dinar)	34.355	22.3811	13.6736	20.2983
Andorra	(Fr Fr)	8.4575	5.5097	3.3661	4.997
	(Sp Peseta)	191.35	124.658	76.1592	113.058
Angola	(New Kwanza)	6154.09	4009.18	2449.39	3636.09
Antigua	(E Carr $)	4.1337	2.6928	1.6452	2.4423
Argentina	(Peso)	1.5310	0.9973	0.6093	0.9045
Aruba	(Florin)	2.7405	1.7853	1.0907	1.6192
Australia	(Aus $)	2.2130	1.4416	0.8807	1.3075
Austria	(Schilling)	17.685	11.5211	7.0389	10.449
Azores	(Port Escudo)	238.50	155.375	94.9253	140.916
Bahamas	(Bahama $)	1.5350	1	0.6109	0.9069
Bahrain	(Dinar)	0.5767	0.3757	0.2295	0.3407
Balearic Is	(Sp Peseta)	191.35	124.658	76.1592	113.058
Bangladesh	(Taka)	61.5498	40.0975	24.4974	36.3662
Barbados	(Barb $)	3.0793	2.006	1.2255	1.8193
Belgium	(Belg Fr)	51.65	33.6482	20.5572	30.5169
Belize	(B $)	3.0620	1.9947	1.2187	1.8091
Benin	(CFA Fr)	422.875	275.489	168.308	249.852
Bermuda	(Bermudian $)	1.5350	1	0.6109	0.9069
Bhutan	(Ngultrum)	47.819	31.1524	19.0324	28.2534
Bolivia	(Boliviano)	6.4685	4.214	2.5745	3.8218
Botswana	(Pula)	3.6093	2.3513	1.4365	2.1325
Brazil	(Cruzeiro)	60060.35	39127.3	23904.6	35486.2
Brunei	(Brunei $)	2.4748	1.6122	0.9849	1.4622
Bulgaria	(Lev)	37.88	24.6775	15.0766	22.381
Burkino Faso	(CFA Fr)	422.875	275.489	168.308	249.852
Burma	(Kyat)	9.4750	6.1726	3.7711	5.5982
Burundi	(Burundi Fr)	363.25	236.645	144.577	214.623
Cambodia	(Riel)	5358.5	3490.88	2132.74	3166.03
Cameroon	(CFA Fr)	422.875	275.489	168.308	249.852
Canada	(Canadian $)	1.9390	1.2631	0.7717	1.1456
Canary Is	(Sp Peseta)	191.35	124.658	76.1592	113.058
Cp. Verde	(CV Escudo)	113.60	74.0065	45.2139	67.1196
Cayman Is	(CI $)	1.3014	0.8478	0.5179	0.7689
Cent.Afr. Rep	(CFA Fr)	422.875	275.489	168.308	249.852
Chad	(CFA Fr)	422.875	275.489	168.308	249.852
Chile	(Chilean Peso)	631.67	411.511	251.411	373.217
China	(Renminbi Yuan)	8.9175	5.8094	3.5492	5.2688
Colombia	(Col Peso)	1304.03	849.531	519.017	770.476
CIS ‡	(Rouble)	0.8899o	0.5797	0.3541	0.5257
		1451.55m	945.635	577.731	857.637
Comoros	(CFA Fr)	422.875	275.489	168.308	249.852
Congo (Brazz)	(CFA Fr)	422.875	275.489	168.308	249.852
Costa Rica	(Colon)	211.57	137.831	84.2069	125.004
Côte d'Ivoire	(CFA Fr)	422.875	275.489	168.308	249.852
Croatia	(Dinar)	3520.03	2287.09	1403.4	2083.33
Cuba	(Cuban Peso)	1.1596	0.7554	0.4615	0.6851
Cyprus	(Cyprus £)	0.7366	0.4811	0.2939	0.4363
Czech Rep.	(Koruna)	44.441c	28.9517	17.6879	26.2576
		43.021	28.026	17.1223	25.418
Denmark	(Danish Kroner)	9.6125	6.2622	3.8258	5.6794
Djibouti Rep	(Djib Fr)	270.0	175.896	107.463	159.527
Dominica	(E Carrib $)	4.1337	2.6929	1.6452	2.4423
Dominican Rep	(D Peso)	19.9030	12.9661	7.9215	11.7595
Ecuador	(Sucre)	2933.40o	1911.01	1167.52	1733.18
		2893.59a	1885.07	1151.66	1709.65
Egypt	(Egyptian £)	5.11	3.3289	2.0338	3.0192
El Salvador	(Colon)	13.3809	8.7171	5.3257	7.9059
Equat'l Guinea	(CFA Fr)	422.875	275.489	168.308	249.852
Estonia	(Kroon)	19.89	12.9576	7.9164	11.7518
Ethiopia	(Ethiopian Birr)	7.5796	4.9378	3.0167	4.4783
Falkland Is	(Falk £)	1.00	0.6514	0.398	0.5908
Faroe Is	(Danish Kroner)	9.6125	6.2622	3.8258	5.6794
Fiji Is	(Fiji $)	2.3445	1.5273	0.9331	1.3852
Finland	(Markka)	8.4518	5.506	3.3639	4.9936
France	(Fr)	8.4575	5.5097	3.3661	4.997
Fr. Cty/Africa	(CFA Fr)	422.875	275.489	168.308	249.852
Fr. Guiana	(Local Fr)	8.4575	5.5097	3.3661	4.997
Fr. Pacific Is	(CFP Fr)	152.0	99.0228	60.4975	89.8079
Gabon	(CFA Fr)	422.875	275.489	168.308	249.852

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Gambia	(Dalasi)	13.0125	8.4778	5.1795	7.6889
Germany	(D-Mark)	2.5125	1.6368	1	1.4844
Ghana	(Cedi)	922.38	600.899	367.116	544.981
Gibraltar	(Gib £)	1.00	0.6514	0.398	0.5908
Greece	(Drachma)	339.575	221.221	135.154	200.635
Greenland	(Danish Kroner)	9.6125	6.2622	3.8258	5.6794
Grenada	(E Carr $)	4.1337	2.6929	1.6452	2.4423
Guadaloupe	(Local Fr)	8.4575	5.5097	3.3661	4.997
Guam	(US $)	1.5350	1	0.6109	0.9069
Guatemala	(Quetzal)	8.5301	5.557	3.395	5.0399
Guinea	(Fr)	1243.61	810.169	494.969	734.777
Guinea-Bissau	(Peso)	7655.0	4986.97	3046.77	4522.9
Guyana	(Guyanese $)	192.91	125.674	76.78	113.979
Haiti	(Gourde)	18.3720	11.9687	7.3122	10.8549
Honduras	(Lempira)	9.3085	6.0641	3.7048	5.4998
Hong Kong	(HK $)	11.8373	7.7115	4.7113	6.9939
Hungary	(Forint)	134.91	87.8892	53.6955	79.7104
Iceland	(Icelandic Krona)	99.20	64.6254	39.4825	58.6115
India	(Indian Rupee)	47.819	31.1524	19.0324	28.2534
Indonesia	(Rupiah)	3209.33	2090.77	1277.35	1896.21
Iran	(Rial)	2503.0	1630.62	996.219	1478.88
Iraq	(Iraqi Dinar)	0.5936	0.3867	0.2362	0.3507
Irish Rep	(Punt)	1.0285	0.67	0.4093	0.6076
Israel	(Shekel)	4.175	2.7198	1.6616	2.4667
Italy	(Lira)	2279.50	1485.02	907.264	1346.82
Jamaica	(Jamaican $)	33.988	22.142	13.5275	20.0815
Japan	(Yen)	169.25	110.261	67.3631	100
Jordan	(Jordanian Dinar)	1.0518	0.6852	0.4186	0.6214
Kenya	(Kenya Shilling)	97.2185	63.3345	38.6939	57.4407
Kiribati	(Australian $)	2.2130	1.4416	0.8807	1.3075
Korea North	(Won)	3.2917	2.1444	1.3101	1.9448
Korea South	(Won)	1234.78	804.417	491.455	729.56
Kuwait	(Kuwaiti Dinar)	0.4620	0.3009	0.1838	0.2729
Laos	(New Kip)	1102.32	718.124	438.734	651.297
Lebanon	(Lebanese £)	2660.06	1732.94	1058.73	1571.68
Lesotho	(Maloti)	4.8970	3.1902	1.949	2.8935
Liberia	(Liberian $)	1.5350	1	0.6109	0.9069
Libya	(Libyan Dinar)	0.4515	0.2941	0.1797	0.2667
Liechtenstein	(Swiss Fr)	2.2575	1.4706	0.8985	1.3338
Luxembourg	(Lux Fr)	51.65	33.6482	20.5572	30.5169
Macao	(Pataca)	12.2227	7.9626	4.8647	7.2216
Madagascar	(MG Fr)	2794.07	1820.24	1112.07	1650.85
Madeira	(Port Escudo)	238.50	155.375	94.9253	140.916
Malawi	(Kwacha)	6.5585	4.2713	2.6095	3.8738
Malaysia	(Ringgit)	3.9306	2.5607	1.5644	2.3224
Maldive Is	(Rufiya)	18.3337	11.9437	7.2969	10.8323
Mali Rep	(CFA Fr)	422.875	275.489	168.308	249.852
Malta	(Maltese Lira)	0.5621	0.3661	0.2237	0.3321
Martinique	(Local Fr)	8.4575	5.5097	3.3661	4.997
Mauritania	(Ouguiya)	174.24	113.511	69.3492	102.948
Mauritius	(Maur Rupee)	25.9336	16.8949	10.3219	15.3227
Mexico	(Mexican Peso)	4.7813	3.1148	1.903	2.8249
Miquelon	(Local Fr)	8.4575	5.5097	3.3661	4.997
Monaco	(French Fr)	8.4575	5.5097	3.3661	4.997
Mongolia	(Tugrik)	229.65	149.609	91.4029	135.687
Montserrat	(E Carr $)	4.1337	2.6929	1.6452	2.4423
Morocco	(Dirham)	13.4569	8.7667	5.3559	7.9509
Mozambique	(Metical)	4204.63	2739.17	1673.48	2484.27
Namibia	(S A Rand)	4.8970	3.1902	1.949	2.8933
Nauru Is	(Australian $)	2.2130	1.4416	0.8807	1.3075
Nepal	(Nepalese Rupee)	71.23	46.4039	28.3502	42.0856
Netherlands	(Guilder)	2.8125	1.8322	1.1194	1.6617
N'nd Antilles	(A/Guilder)	2.8255	1.8407	1.1245	1.6694
New Zealand	(NZ $)	2.8175	1.8355	1.1213	1.6646
Nicaragua	(Gold Cordoba)	9.3471	6.0893	3.7202	5.5226
Niger Rep	(CFA Fr)	422.875	275.489	168.308	249.852
Nigeria	(Naira)	38.275	24.9348	15.2338	22.6144
Norway	(Nor. Krone)	10.6075	6.9104	4.2218	6.2673
Oman	(Rial Omani)	0.5894	0.3839	0.2345	0.3482

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	40.4611	26.372	16.1118	23.9179
Panama	(Balboa)	1.5350	1	0.6109	0.9069
Papua New Guinea	(Kina)	1.4920	0.9719	0.5938	0.8815
Paraguay	(Guarani)	2640.97	1720.5	1051.13	1560.4
Peru	(New Sol)	3.010	1.9609	1.198	1.7784
Philippines	(Peso)	40.05	26.0912	15.9402	23.6632
Pitcairn Is	(£ Sterling)	1.00	0.6514	0.398	0.5908
	(NZ $)	2.8175	1.8355	1.1213	1.6646
Poland	(Zloty)	26343.0	17161.6	10484.8	15564.5
Portugal	(Escudo)	238.50	155.375	94.9253	140.916
Puerto Rico	(US $)	1.5350	1	0.6109	0.9069
Qatar	(Riyal)	5.5765	3.6328	2.2195	3.2948
Reunion Is. de la	(F Fr)	8.4575	5.5097	3.3661	4.997
Romania	(Leu)	986.47	642.651	392.625	582.848
Rwanda	(Fr)	219.95	143.29	87.5422	129.956
St Christopher	(E Carr $)	4.1337	2.6929	1.6452	2.4423
St Helena	(£)	1.00	0.6514	0.398	0.5908
St Lucia	(E Carr $)	4.1337	2.6929	1.6452	2.4423
St Pierre	(French Fr)	8.4575	5.5097	3.3661	4.997
St Vincent	(E Carr $)	4.1337	2.6929	1.6452	2.4423
San Marino	(Italian Lira)	2279.50	1485.02	907.264	1346.82
Sao Tome	(Dobra)	367.44	239.375	146.245	217.099
Saudi Arabia	(Riyal)	5.7423	3.7409	2.2854	3.3927
Senegal	(CFA Fr)	422.875	275.489	168.308	249.852
Seychelles	(Rupee)	7.808	5.0866	3.1076	4.6132
Sierra Leone	(Leone)	826.74	538.593	329.051	488.473
Singapore	($)	2.4748	1.6122	0.9849	1.4622
Slovakia	(Koruna)	44.441c	28.9517	17.6879	26.2576
		43.021	28.026	17.1223	25.418
Slovenia	(Tolar)	171.233	111.552	68.1524	101.172
Solomon Is	($)	4.9060	3.196	1.9526	2.8986
Somali Rep	(Shilling)	4011.22	2613.17	1596.51	2370
South Africa	(Rand)	4.8970c	3.1902	1.949	2.8933
		7.1038g	4.6278	2.8273	4.1972
Spain	(Peseta)	191.35	124.658	76.1592	113.058
Spanish Ports in N Africa	(Sp Peseta)	191.35	124.658	76.1592	113.058
Sri Lanka	(Rupee)	73.3828	47.8063	29.207	43.3576
Sudan Rep	(Dinar)	19.903	12.9661	7.9215	11.7595
Surinam	(Guilder)	2.7328	1.7803	1.0876	1.6146
Swaziland	(Lilangeni)	4.8970	3.1902	1.949	2.8933
Sweden	(Krona)	11.2050	7.2996	4.4597	6.6203
Switzerland	(Fr)	2.2575	1.4706	0.8985	1.3338
Syria	(£)	32.916	21.4436	13.1006	19.4481
Taiwan	($)	39.625	25.8143	15.7711	23.4121
Tanzania	(Shilling)	541.97	353.075	215.709	320.219
Thailand	(Baht)	38.65	25.1791	15.383	22.836
Togo Rep	(CFA Fr)	422.875	275.489	168.308	249.852
Tonga Is	(Pa Anga)	2.2120	1.441	0.8803	1.3069
Trinidad/Tobago	($)	8.7298	5.6871	3.4745	5.1579
Tunisia	(Dinar)	1.5065	0.9814	0.5996	0.8901
Turkey	(Lira)	15618.85	10175	6216.38	9228.15
Turks & Caicos	(US $)	1.5350	1	0.6109	0.9069
Tuvalu	(Australian $)	2.2130	1.4416	0.8807	1.3075
Uganda	(New Shilling)	1849.91	1205.15	736.283	1093
U A E	(Dirham)	5.6235	3.6635	2.2382	3.3225
United Kingdom	(£)	1.00	0.6514	0.398	0.5908
United States	(US $)	1.5350	1	0.6109	0.9069
Uruguay	(Peso Uruguayo)	5.8362	3.802	2.3228	3.4482
Vanuatu	(Vatu)	184.59	120.254	73.4686	109.064
Vatican	(Lira)	2279.50	1485.02	907.264	1346.82
Venezuela	(Bolivar)	134.03	87.3159	53.3452	79.1905
Vietnam	(Dong)	16152.05	10522.5	6428.66	9543.31
Virgin Is-British	(US $)	1.5350	1	0.6109	0.9069
Virgin Is-US	(US $)	1.5350	1	0.6109	0.9069
Western Samoa	(Tala)	3.9166	2.5515	1.5588	2.314
Yemen (Rep of)	(Rial)	25.26	16.456	10.0537	14.9246
Yemen (Rep of)	(Dinar)	0.7056	0.4596	0.2808	0.4168
Yugoslavia	(New Dinar)	123363.4	80367	49099.9	72889.3
Zaire Rep	(Zaire)	4689600.0	3054463	1866109	2770222
Zambia	(Kwacha)	796.12	518.645	316.854	470.381
Zimbabwe	($)	9.7984	6.3833	3.8998	5.7893

Special Drawing Rights May 21, 1993 United Kingdom £0.909425 United States $1.41170 Germany D Mark 2.28369 Japan Yen156.993
European Currency Unit Rates May 24, 1993 United Kingdom £0.780586 United States $1.19446 Germany D Mark 1.95891 Japan Yen132.238

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate : ‡ CIS applies to states in the Rouble Zone. Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5. Monday May 24, 1993

INTERNATIONAL CAPITAL MARKETS

Bund prices fall as hopes of further rate cuts recede

By Sara Webb in London and Patrick Harveson in New York

GERMAN government bonds closed lower as hopes of further cuts in interest rates receded and the market prepared for more medium-dated supply.

Bund prices fell in reaction to comments from Mr Lothar Mueller, Bavarian state central bank president and Bundesbank Council member, over the weekend. Mr Mueller said that in view of the pace of money supply growth and the public sector debt, the Bundesbank would have to pause before easing rates further.

GOVERNMENT BONDS

The 6¾ per cent bond due 2003 opened at 99.18 and fell to 98.89 and the Liffe bund futures contract dropped from a high of 93.80 to 93.68 by late afternoon.

Dealers said the market remains bearish and investors would be waiting to see the latest inflation figures, which are expected this week. Also contributing to the market's poor mood is the prospect of new supply today, with dealers expecting DM4bn to DM6bn of four-year notes to be issued.

■ THE SURPRISE announcement of another cut in French interest rates yesterday helped to lift French government bond prices at the short end, while other maturities closed lower on profit-taking.

The Bank of France cut its key rates by a quarter point, which left the intervention rate at 7.5 per cent and the five to 10-day rate at 8.5 per cent.

"The franc seemed reasonably steady on the back of it," said Mr Philip Tyson, economist at Yamaichi International, adding that the market would be looking for further rate cuts over the next few months.

The spread of 10-year French bonds over comparable bunds has narrowed to 27 basis points from 32 basis points, compared to 62 basis points at the end of March. Among shorter-dated bonds, two-year notes now yield 6.43 per cent, down from 6.44 per cent.

■ HIGHER-yielding markets continued to benefit from switching out of Germany in the wake of the Danish referendum result.

In Spain, market participants will be watching for further signs of easing this week. The Meffsa futures contract slipped from 88.48 to 88.40 yesterday.

In Italy, the short end remained firm while longer-dated issues weakened, with the BTP futures contract falling from 99.72 to 99.53.

■ ACTIVITY in the UK government bond market remained muted ahead of tomorrow's auction.

■ JAPANESE government bonds tumbled yesterday on fears of higher short-term US interest rates and concern about the forthcoming Japanese bond auction.

The September futures contract dropped from its high of 106.60 to a low of 105.98 in Tokyo and continued to fall in London trading to reach 105.88.

Dealers said the market was upset by news reports suggesting the US Federal Reserve may allow short-term interest rates to rise.

The finance ministry is expected to hold its auction of 10-year government bonds today, and there was considerable speculation in the market about whether the auction stock would be a further tranche of the existing No 153 issue or a new bond.

Dealers point out that a further tranche of the No 153 issue would help to establish it as the new 10-year benchmark.

The No 153 has a 4.8 per cent coupon, but some dealers maintain that the Japanese market has fallen back so much in recent weeks that the new auction stock should carry a coupon of 4.9 per cent to reflect the shift in yields.

The yield on the No 145 opened at 4.64 per cent and closed at 4.665 per cent after touching 4.735 per cent.

■ TALK of a possible tightening of monetary policy by the Federal Reserve depressed prices at the short end of the US Treasury market yesterday morning but had no impact on the long end, where short-covering by dealers lifted prices.

By midday, the benchmark 30-year government bond was up 8/32 at 101 7/32, yielding 7.006 per cent. At the short end of the market, the two-year note was down 1/32 at 99 31/32, to yield 4.146 per cent.

After declining on foreign markets overnight, longer-dated securities recovered when trading opened in New York as some dealers covered their short positions in anticipation of a rally and others took the opportunity to complete yield curve-flattening trades. Short-dated securities, however, failed to rebound from early weakness.

The drop in prices overnight followed press reports that at the Fed's Open Market Committee meeting last week policy-makers voted to shift the emphasis of monetary policy toward higher short-term interest rates because of concerns about revived inflation.

■ THE French government is likely today to announce a special bond issue to raise as much as FFr20bn, AP-DJ reports from Paris.

"If it's less than FFr10bn, that wouldn't be good. But if it's FFr20bn or more, that would be considered a major success," said one source close to the government.

"You have to remember that, originally, the government was hoping to get FFr30bn this year from privatisation receipts."

A report in the French press yesterday claimed that prime minister Edouard Balladur planned to announce the debt issue today. Mr Balladur apparently has been motivated by the worsening economic outlook, which jeopardises the government's revenue predictions for 1993.

FT FIXED INTEREST INDICES

	May 24	May 21	May 20	May 19	May 18	Year ago	High *	Low *
Govt Secs (UK)	94.80	94.94	94.89	94.80	94.56	89.54	96.04	93.28
Fixed Interest	111.38	111.33	111.25	111.07	110.93	105.43	113.83	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928. * for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75) Fixed Interest high since compilation: 113.83 (8/3/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	May 21	May 20	May 19	May 18	May 17
Gilt Edged Bargains	85.1	91.7	100.0	125.0	98.3
5-Day average	99.6	101.1	100.5	100.2	97.3

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	03/03	112.6384	-0.843	7.70	7.53	7.49
BELGIUM		9.000	03/03	110.6500	+0.050	7.40	7.42	7.55
CANADA *		7.250	06/03	97.4500	-	7.62	7.72	7.33
DENMARK		8.000	05/03	103.3000	-0.300	7.52	7.51	7.59
FRANCE	BTAN	8.000	05/98	105.5559	-0.138	6.64	6.64	6.87
	OAT	8.500	04/03	109.1200	-0.190	7.18	7.12	7.18
GERMANY		6.75	04/03	98.8450	-0.210	6.91	6.78	6.55
ITALY		11.500	03/03	97.7150	-0.120	12.25†	12.44	12.82
JAPAN	No 119	4.800	06/99	100.9019	-0.192	4.61	4.43	4.11
	No 145	5.500	03/02	104.8592	-0.659	4.72	4.56	4.19
NETHERLANDS		7.000	02/03	101.7700	-0.230	6.73	6.62	6.58
SPAIN		10.300	06/02	95.9433	-0.160	11.02	11.15	11.54
UK GILTS		7.250	03/98	100-17	-	7.11	7.13	7.09
		8.000	06/03	99-18	+2/32	8.06	8.11	7.96
		9.000	10/08	104-14	-2/32	8.48	8.51	8.35
US TREASURY *		6.250	02/03	100-16	-15/32	6.18	6.02	5.90
		7.125	02/23	101-06	-7/32	7.03	6.94	6.81
ECU (French Govt)		8.000	04/03	103.5000	+0.050	7.48	7.47	7.59

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Futures regulator brings charges against CBOT

By Laurie Morse in Chicago

FEDERAL regulators have charged the Chicago Board of Trade (CBOT) with lax financial monitoring and failure to enforce its own rules in an action that, if successful, could result in more than $1m in fines for the world's largest futures exchange.

The Commodity Futures Trading Commission (CFTC), the futures industry's chief regulator in the US, made the 10-count administrative complaint against the CBOT in connection with the August 1990 collapse of Stotler and Company, a large Chicago-based clearing firm. At the time the firm failed, Mr Karsten Mahlmann, who was a principal in Stotler, was also the chairman of the CBOT.

Mr Mahlmann, who was not named in the complaint, subsequently resigned as exchange chairman. The CFTC and the CBOT transferred 65,000 customer accounts from Stotler to other firms in August 1990 to protect them from losses.

Mr Patrick Arbor, CBOT chairman, said the CFTC's complaint lacked merit. He said the CFTC was unfairly holding the exchange responsible for a member firm that lied to its customers and regulators and altered reporting documents sent to the exchange.

This is the first time the CFTC has charged the CBOT in a complaint, and the action has serious implications. The CFTC has the right, if its charges succeed, to delist the CBOT as an exchange. Few expect that to happen.

In a related complaint, Coopers and Lybrand, the international accountancy firm, was charged with failing to perform adequate audits of Stotler during the years 1988 and 1989, when the firm was undercapitalised by $1m and $7.1m, respectively.

Coopers and Lybrand has settled its case with the CFTC, without acknowledging guilt, by paying the sum of $500,000.

Also charged by the CFTC were Mr Thomas Egan, formerly chief executive of Stotler, Mr Phillip Zarcone who had been chief financial officer of Stotler, and Mr Thomas Kolter, an attorney and president of Stotler Funds, a money management firm.

Mr Egan has settled his charges with the CFTC and has agreed to never engage in customer related futures trading again.

Mr Dennis Klejna, head of the CFTC's enforcement division, said the complaint came so long after Stotler's collapse because "these are very complicated financial cases with sweeping allegations".

The CFTC in early August, 1990, obtained an injunction against Stotler to keep it from using customer funds to shore up its capital base. At nearly the same time the CFTC filed an administrative complaint against Stotler and ordered its registration as a futures dealer to be revoked.

Attorneys for Coopers and Lybrand and Mr Zarcone could not be reached for comment yesterday. Mr Kolter, who is representing himself in the case, also could not be reached.

Asian Development Bank prepares $500m 10-year issue

By Tracy Corrigan

THE ASIAN Development Bank is preparing to launch a $500m 10-year issue following a series of roadshows in European financial markets.

The deal, jointly arranged by JP Morgan and Lehman Brothers, is expected to emerge this week if market conditions prove favourable. Traders are expecting the deal to be priced at a yield spread of 20 to 25 basis points over the comparable Treasury yield.

INTERNATIONAL BONDS

The reception of an offering yesterday by the Nordic Investment Bank in the nascent Dragon bond market suggested that there is still strong demand for dollar bonds in south-east Asia, despite the recent weakening of the US Treasury market.

NIB's $250m five-year issue, arranged by Goldman Sachs, was priced to yield 20 basis points above the five-year US Treasury. Dealers said the issue was several basis points too tight for European investors, but had sold into south-east Asia.

Growing interest from south-east Asian investors in global bond offerings lies at the root of the development of the locally-traded Dragon bond market, pioneered by the Asian Development Bank. Dragon bonds are essentially the same in structure as Eurobonds, except that they are listed in Hong-Kong and Singapore and distributed and traded in the region. Because investors in the area prefer to buy bonds which will be traded locally, they are prepared to pay a tighter spread than for Eurobonds.

"Since NIB is active in lending to Asia, issuing in the Asian bond markets is a logical step in expanding our relationships in the region," said Mr Thorsteinn Thorsteinsson, head of borrowing at the supranational bank.

Meanwhile, the European Investment Bank is currently considering launching a $300 to $500m Dragon bond in the next few weeks. However, the Dragon bond market is one of several options, an EIB official said.

Elsewhere, Inter-American Development Bank launched a FF1.2bn seven-year issue via BNP Capital Markets, its first in the sector for 20-years. The deal was swapped into fixed-rate yen.

In the Swiss franc market, Eurofima launched a Sfr400m 10-year issue via Swiss Bank Corporation.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
C.Italiano, Hong Kong(a)‡	50	(a)	99.75R	Jun.2003	0.5R	-	Credito Italiano, Milan
FRENCH FRANCS							
Inter-American Dev. Bank	1.2bn	7	99.3R	Sep.2000	0.3R	+22.5(8½%-00)	BNP Capital Markets
CANADIAN DOLLARS							
Banque Nationale de Paris	125	7.5	99.266R	Jul.1999	0.3R	+50 (6½%-98)	ScotiaMcLeod
ITALIAN LIRA							
Bank for Dutch Municipalities	150bn	10.5	101.1	Jun.2003	2	-	Deutsche Bank London
SWISS FRANCS							
Eurofima	400	5	102	Jun.2003	-	-	Swiss Bank Corp.

Final terms and non-callable unless stated. The yield spread (over relevent government bond) at launch is supplied by the lead manager. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Issue launched on 18/5/93 was increased to $150m. Coupon pays 6-month Libor - 0.125%; minimum 6%, maximum 10%. b) Callable on 30/6/01 and on 30/6/02.

Swiss Bank buys Swedish broker

SWISS Bank Corp (SBC) has agreed to buy 100 per cent of the Swedish broker Arbitech Fondkommission and associated companies Derivatan and Arbitech, Reuter reports from Zurich.

The sellers are Investors AB, Stockholm, which owns 41.6 per cent of the brokerage, AB Export-Invest, Stockholm, which has a 8.4 per cent holding, and SBC's O'Connor & Associates, Chicago, which has 50 per cent.

The purchase price was not disclosed.

Arbitech has 22 staff and is Sweden's leading market-maker in standardised derivatives as well as cash-based and over-the-counter instruments.

The brokerage conducts client business which is mainly aimed at institutional investors.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on May 24

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	18	35	27
Other Fixed Interest	0	4	11
Commercial, Industrial	356	224	818
Financial & Property	215	86	496
Oil & Gas	33	8	43
Plantations	0	2	6
Mines	64	5	70
Others	52	30	36
Totals	738	394	1,507

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
245	Nil	2/7	63pm	58pm	British Airways	62pm	
420	Nil	2/7	80pm	64pm	Compass	68pm	-9
255	Nil	7/7	38pm	30pm	Royal Insurance	34pm	
138	Nil	8/7	54pm	29pm	Saatchi & Saatchi	52pm	-1
171	Nil	30/6	13pm	10pm	United Drug	12pm	

b Figures based on prospectus estimates. N Figures based on IIMR 'Headline Earnings' draft proposals. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. ✣ Unlisted securities market. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings May 17
- Last Dealings May 28
- Last Declarations August 12
- For settlement August 23

3-month call rate indications are shown in Saturday editions.

Calls in: Arcon Intl., Cannon St., Division Grp., Enterprise Comp., Evered Bardon, Ferranti, Harstone, Hi-Tec, Kewill Systems, Lonrho, Premier, Renison and Waverley. Puts & Calls: BET, Cupid, Division Grp., Kunick and Waverley

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

[illegible]

May 24 Total Contracts 23,733
Calls 14,222 Puts 9,511
FT-SE Index Calls 2,479 Puts 3,048
Euro FT-SE Calls 422 Puts 640
Eurotrack 100 Index Calls Puts
*Underlying security price. † Long dated expiry mths. Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Mon May 24	Day's change %	Fri May 21	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (25)	127.75	+0.03	127.72	2.16	4.89
2	5-15 years (23)	146.23	-0.05	146.31	2.38	5.22
3	Over 15 years (10)	156.67	-0.22	157.02	2.67	3.48
4	Irredeemables (6)	175.00	-0.21	175.37	0.93	6.12
5	All stocks (64)	142.95	-0.06	143.03	2.34	4.58
	Index-Linked					
6	Up to 5 years (2)	183.65	+0.04	183.57	0.71	1.92
7	Over 5 years (11)	173.40	+0.10	173.22	1.09	1.72
8	All stocks (13)	173.67	+0.09	173.50	1.04	1.76
9	Debs & Loans (68)	127.19	+0.03	127.71	1.95	4.79

AVERAGE GROSS REDEMPTION YIELDS

			Mon May 24	Fri May 21	Year ago (approx.)
	British Government				
1	Low	5 years	7.15	7.15	7.98
2	Coupons	15 years	8.06	8.03	8.82
3	(0%-7¾%)	20 years	8.26	8.25	8.82
4	Medium	5 years	7.39	7.39	9.07
5	Coupons	15 years	8.48	8.46	8.86
6	(8%-10¾%)	20 years	8.58	8.56	8.84
7	High	5 years	7.61	7.61	9.27
8	Coupons	15 years	8.73	8.72	9.00
9	(11%-)	20 years	8.78	8.76	8.95
10	Irredeemables(Flat Yield)		8.64	8.61	9.03
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.01	3.02	3.99
12	Inflation rate 5%	Over 5 yrs.	3.57	3.58	4.34
13	Inflation rate 10%	Up to 5 yrs.	2.24	2.25	3.26
14	Inflation rate 10%	Over 5 yrs.	3.38	3.39	4.15
15	Debs &	5 years	9.01	8.99	10.38
16	Loans	15 years	9.47	9.46	10.15
17		25 years	9.82	9.81	10.05

Exceptional charge and recession in UK leaves losses of £8.3m

Hi-Tec retraces growth steps

By Angus Foster

HI-TEC Sports, the sports and leisure wear company, yesterday announced that mounting losses and recession had forced it to close its recently expanded continental European sales network.

The closure of the network, mainly built up with the proceeds of a £10.3m rights issue last year, led to exceptional costs of £4.82m leaving pre-tax losses for the year to January 31 at £8.3m, compared with profits of £9.06m.

Mr Frank van Wezel, chairman, said Hi-Tec would revert to using distributors. "It means in Europe we will have less clout, which hurts me."

He claimed the closure lay behind the sudden resignation in March of two recently appointed non-executive directors, Sir Michael Edwardes, former chairman of British Leyland, and Mr Richard Fenhalls, former chief executive of Henry Ansbacher.

Mr van Wezel said the two pair, who joined in January, wanted to close the loss making network immediately while he wanted more time. "We had different expectations from each other," he said, adding that he was now convinced immediate closure was the right course.

Losses in the UK and Europe were also blamed for the turn down into losses. Turnover fell from £127.8m to £106.9m. At the interim stage, pre-tax losses of £2.84m compared to a £3.74m profit.

In the year the UK was worst hit, recording operating losses of £1.58m (profit £6.88m) due to depressed consumer spending, price cutting by competitors like Nike and Reebok and redundancy costs.

However North America performed well increasing operating profits by 24 per cent to £2.4m, helped by sales of rugged outdoor products.

Losses per share were 18.8p (earnings 16.1p). The proposed final dividend is cut to 1p to give a total for the year of 2p (5.5p).

Hi-Tec also announced the appointment as non-executive directors of Mr John Sharkey, chairman of BDDP (UK), and Mr Roger Rowland, until recently chairman of Lambert Howarth.

Frank van Wezel: hurt by having less clout in Europe

● COMMENT

Hi-Tec has taken care to bring forward all the bad news, and will no doubt wish to forget last year. But shareholders are unlikely to be so accommodating, especially since proceeds from the rights issue have now been lost in Europe, and the shares have since collapsed from nearly 200p to 40p yesterday. At least this year the UK should return to profit, helped by improving margins, and the US looks firm. Pre-tax profits should recover to £4m or £5m. But the reasons for avoiding the shares remain compelling, and include a dominant chairman with more than 50 per cent of the shares, barely transparent accounts and lingering questions about the sudden departure of non-executives and other senior officers. Finally, switching back to distributors in Europe could further dent Hi-Tec's brand name and puts its European strategy on hold pending another review once the three year distribution contracts end.

CSI chief received £366,100 pay-off

By Paul Taylor

MR ROBIN BINKS, chief executive of Cannon Street Investments for only 15 months was paid a total of £548,000 last year, according to the latest accounts.

Mr Binks had joined the board from SG Warburg in November, 1990, and was made chief executive in December 1991. He was replaced last March by Mr David Smith, the management consultant who masterminded the Isosceles bid for Gateway, the supermarket chain.

Although Mr Binks' departure was said to have been by mutual consent, the annual accounts published yesterday show that Mr Binks received £366,100, including £345,100 in cash, as a "termination settlement" in addition to his pay, for a total of £548,000.

During his tenure, Mr Binks reversed the strategy of his acquisition-minded predecessor, Mr Bill Hislop, and made a series of disposals to reduce borrowings.

Last year the group realised more than £60m from asset sales, including £42m from the flotation of Avonside, the house-building group. In the process 14 operating units, spanning more than 50 companies, were cut to three.

However Mr Tom Long, chairman since May last year, decided that a change in chief executive was appropriate because the group had moved into the next phase of recovery and needed a chief executive with "operational skills".

Earlier this month Cannon Street reported a jump in pretax losses from £34.3m to £115.5m for the year to January 2, reflecting trading losses coupled with substantial goodwill write-offs and losses on sales and closures.

BTR aims to seek further opportunities in China

Richard Gourlay

MR ALAN JACKSON, chief executive of BTR, said the joint ventures signed at the weekend with two Chinese provinces were the first of a number of commercial opportunities the industrial holding company hoped to enjoy in China.

He added, however: "We will be making sure that this one works first."

Mr Jackson was speaking from Australia after signing agreements to invest A$270m (£121m) over three years in two glass bottle plant joint ventures with China's Guangzhou and Shanghai Municipal governments.

"Guangzhou province has a population is 68m people and only one glass manufacturing plant," Mr Jackson said. "This is a wonderful opportunity to go into China."

BTR's 61 per cent-owned Australian subsidiary, BTR Nylex, will take a 70 per cent stake in the glass bottling ventures. The balance will be held by the respective municipal governments' Ministry of Light Industry.

The Chinese partners will be transferring existing assets and business of the bottling plants into the new joint venture. BTR will be importing equipment – duty free – and knowhow over the three year period and will not be subscribing any cash to the joint venture. Its investment will be A$95m in Shanghai and A$175m in Guangzhou.

Mr Jackson said BTR had had an option on the deal since last November and that he had travelled to China five times since the start of May to conclude the deal.

The Guangzhou plant has been established for 35 years.

BTR will, however, immediately add four new glass manufacturing lines to the seven that exist. Combined with the redesign of bottle moulds and the production process, the investment will more than double the plant's capacity, Mr Jackson said.

At the moment the plant's managers have to ration the supply of bottles to its customers. Growth of beer consumption was very high and China had become the third largest consumer of beer in the world.

Glass and plastics packaging has been one of the engines for growth at BTR Nylex through its ACI packaging subsidiary which will be supplying a manager for the Chinese ventures.

The joint venture agreements state there will be no restriction of transmission of dividends. BTR will have a majority of members on the joint venture boards.

Forte pay committee under spotlight

By Michael Skapinker, Leisure Industries Correspondent

FORTE shareholders yesterday asked whether Sir Anthony Tennant was an appropriate person to chair the group's remuneration committee after the controversy surrounding his own pay increase.

Sir Anthony, the retiring chairman of Guinness, received a 24 per cent salary rise in his last year, excluding bonuses, taking his pay to £777,000.

One shareholder was applauded at Forte's annual general meeting when he noted the presence of Sir Anthony and Sir Paul Girolami, Glaxo chairman, on the Forte remuneration committee and asked: "Would these people have a realistic idea of what is a fair reward for directors?"

The two were appointed to the Forte board last year. Sir Paul received £1.19m from Glaxo in 1992.

Mr Rocco Forte, Forte chairman, strongly defended both non-executive directors. He said of Sir Anthony: "It's very unfair to raise the issue. He deserves every penny." He said of Sir Paul: "If we manage to achieve in this company what Glaxo has achieved, I don't think you would begrudge me that salary."

Mr Forte, who added the title of chairman to his previous role of chief executive last October, received £251,934 last year, compared with £249,721 the previous year. Mr Forte waived an additional £56,000 last year and £42,000 the year before.

Mr Forte also defended a £175,000 incentive payment to Mr Garry Hawkes, managing director of the Gardner Merchant contract catering subsidiary which was sold last December.

Mr Forte said the payment was a reward for Mr Hawkes keeping the business going, maintaining morale and retaining customers during the protracted negotiations leading up to the sale.

Sharply reduced provisions help NHL cut deficit to £24m

By Richard Gourlay

NATIONAL Home Loans, one of the UK's largest mortgage lenders, reduced its interim losses after a sharp fall in the level of provisions.

Improvements in the arrears position and lower costs also contributed to a reduced £23.9m (£55.9m) pre-tax loss in the six months to end-March. Interest receivable fell from £110.9m to £80.6m.

Provisions were more than halved from £72.4m to £36.8m because house prices stabilised and the number of accounts in arrears fell.

Some 4,500 of NHL's 52,000 accounts are now in arrears compared with about 6,000 a year ago, according to Mr Jonathan Perry, chairman.

Following the loss in this period, NHL has negative shareholders funds of £14.5m.

The group will not be paying a dividend on its 7.5 per cent convertible preference shares. A total of £12.9m of preference dividend is now in arrears.

Following a year of debt restructuring, NHL had now stabilised its finances and was looking at how to rebuild its business, Mr Perry said.

NHL's house lending business was decimated in the fallout from the late 1980s housing boom. Rapid growth meant its portfolio was not strong enough to survive the subsequent collapse.

Mr Perry said NHL had facilities which made it one of the country's best collectors of arrears. The intention was to put more volume through this system and NHL was considering purchasing a portfolio of home loans from companies withdrawing from the market or managing the portfolios of others.

Mr Perry repeated his view that NHL "had the prospect of reporting a significantly reduced loss for the current financial year and of returning to profitability in the future."

The National Mortgage Bank, the banking subsidiary, continued to be run down.

Mr Perry said that £1.7bn of assets under management were off balance sheet in special purpose securitised companies which were expected to be a significant contributor to the future performance of the group. The group managed £2.4bn of mortgage assets at the end of March, down 3 per cent over the last 12 months.

National advertising boosts Radio Clyde

By Catherine Milton

RADIO Clyde Holdings, the USM-quoted broadcaster, lifted half-year pre-tax profits from £842,000 to £1.53m as national advertising revenue grew rapidly. The rise was helped by the adoption of FRS 3 and the restatement of last year's figure.

Exceptional gains totalled £273,000 including the release of a prior year's provision, against charges of £270,000. The company said exceptional credits for the full-year would reach £615,000.

Turnover improved to £7.06m (£6.62m) in the six months to March 31 with advertising and sponsorship at 90 per cent of sales. Local revenue, which made up two-thirds of the income, rose 4 per cent while national revenue increased by 20 per cent.

Mr John Bowman, finance director, said: "Local revenue is at a record level for us. National revenue is recovering from the sharp drops we have seen recently." The company noted that advertising revenues could be volatile, but said trading since the half-way stage showed "satisfactory growth".

Operating profits rose to £1.15m (£970,000). Net interest received fell to £98,000 (£143,000) reflecting the drop in interest rates. The company had £3.06m (£2.72m) cash, having generated £569,000 from operating activities.

Radio Clyde has committed £160,000 for its 40 per cent stake in Carlisle Radio which went on the air in April, in an area "largely unserved by independent radio".

The company has also decided to take a leading stake in a consortium application for the North-West regional licence. If successful the company will put in £640,000 towards starting up the station.

The board declared an interim dividend of 3.5p (3.25p), from earnings per share of 12p (5.4p).

Specialeyes £2.3m in red and raising £1.4m

SPECIALEYES, the USM-quoted optical retailer which saw substantial board changes last year, yesterday finally produced its results for the 78 week period to November 28 1992. Pre-tax losses totalled £2.27m.

At the same time it announced it was raising £1.41m net through the issue of £1.55m nominal of 10 per cent convertible unsecured loan stock 2000 at par. The sum raised will be used to eliminate bank borrowings and supply funds for capital expenditure.

Mr Jim Power, chairman, said that the pre-placing of the rescue package was essential before Morison Stoneham, the auditor, would sign off the accounts on a going concern basis. He said he regretted the "very late" publication of the figures.

However he added that in many respects the hardest work was yet to come, pointing to the "weak financial controls and trading disciplines" that were a main factor behind Specialeyes' problems.

Having identified the flaws, they now had to be addressed, he said, adding, "retail is all about detail." The capital expenditure programme would initially be aimed at refurbishment of the stores and the introduction of electronic point of sale equipment, with its attendant benefits.

The pre-tax losses were struck after exceptional charges of £904,000 to cover the costs of closing six branches, and reducing Specialeyes' central overheads and head count. Mr Power said that £1m had been stripped out of the payroll, in large part through the departure of 15 middle managers, and four directors at Christmas.

Turnover in the 78 weeks was £25.9m and interest payable £232,000. Losses per share emerged at 14.16p. In the 53 weeks to June 1 1991, pre-tax profits had been £240,000, turnover £14.8m, interest payable £102,000, and earnings per share 2.3p.

Tesco gets go-ahead for French buy

By Neil Buckley

Tesco, the UK grocery chain, will today proceed with the purchase of the 94-store Catteau chain in northern France, five months after it first announced the acquisition.

Tesco said the deal had been cleared by the regulatory authorities, and it would today acquire 93,713 ordinary shares at FFr7,050 (£835) a share, representing 51 per cent of Catteau's share capital, from the principal directors of Catteau, and certain other shareholders.

The UK retailer also submitted for approval by the French stock exchange a public offer for all outstanding preference shares, convertible bonds and warrants of Catteau.

It said it had received irrevocable undertakings to accept the offer from shareholders owning 163,286 preference shares, representing 20 per cent of the share capital.

The offer was FFr705 for each preference share, FFr705 per convertible bond, and FFr27.5 per warrant. The deal values Catteau at FFr1.46bn.

Tesco confirmed its initial investment would not exceed 85 per cent of the company, or £148m, and it would finance the acquisition and offer from internal sources.

Tesco first announced the conditional acquisition of the family-owed chain last December, but had to wait until French treasury and EC approval had been received, and Catteau's accounts had been finalised.

Securiguard attacks 'unwelcome' £59m bid

By Angus Foster

SECURIGUARD, the security and cleaning services company, has again dismissed the hostile £59.2m bid made last week by Rentokil Group, the environmental and property services company.

Securiguard said it was "unimpressed" by Rentokil's offer document, delivered to shareholders yesterday.

Mr Alan Baldwin, chairman of Securiguard, said the offer was "unwelcome and inadequate". He said the cash offer price of 270p a share was not "anywhere near" an acceptable price.

The 270p a share offer represented a 46 per cent premium to Securiguard's closing price on Monday of 185p. Following Securiguard's rejection last week, its shares closed 19p above the offer price at 289p, and closed yesterday up 4p at 296p.

In a letter to Securiguard shareholders, Mr David Newbigging, chairman of Rentokil, repeated the company's offer to meet with Mr Baldwin.

Except for a phone call on the morning the bid was launched, there has been no contact between the two sides.

The understated tone of Rentokil's offer document, and both sides' refusal so far to criticise their opponents, has prompted some observers to comment that the bid has the flavour of a recommended rather than a hostile offer.

Unigate buys back dairy and depots

Unigate is to buy Dairy Crest's Marshfield dairy located at Cardiff and four associated depots for £11.45m.

The dairy and three depots in south Wales – the other is at Marlborough – were part of Unigate until 1989 when they were sold to Dairy Crest as part of a package together with other dairy businesses in the Midlands and eastern counties.

● MD Foods, based in Accrington, said yesterday that it had acquired Dairy Crest's milk business at Bamber Bridge, near Preston. No details of the consideration were given. As part of the integration of the businesses the Accrington dairy, which employs 350 people, will be closed. MD said the deal enlarged and consolidated its operations in the north-west and produced a stronger base for further development.

BP in talks over £250m consumer products sale

By Deborah Hargreaves

BRITISH Petroleum is negotiating the sale of the consumer products division of its Nutrition business for £250m to an investment group headed by Sir Allen Sheppard, chairman of Grand Metropolitan, the food and drinks conglomerate.

Legal and General, the insurance group, is heading the consortium of 10 investors which include Lehman Brothers, the US investment bankers.

The sale involves BP Nutrition's three main consumer products interests in the UK, Italy and Belgium.

BP put its nutrition division up for sale just over a year ago in order to concentrate on its core oil and gas business.

It sold the consumer foods division to Sara Lee, the US foods and consumer products group, in December.

The sale of consumer products leaves BP's US animal feeds business: Purina still to divest.

BP has appointed financial advisors to assist with the sale. It also has a smaller European animal feeds business.

N American Gas Trust assets rise

North American Gas Investment Trust reported a net asset value of 101.68p per share at April 30, compared with a figure of 58.32p a year earlier.

Net revenue for the nine months to the end of April advanced slightly from £457,000 to £461,000. Earnings per share came out at 1.31p, compared with 1.3p at the same stage of the 1991-2 year.

NEWS DIGEST

35% rise at Ocean Wilsons

OCEAN Wilsons Holdings, the tug operator and investment company, reported pre-tax profits 35 per cent ahead at £6.94m for 1992.

During the year the company moved to Bermuda, keeping its London listing, and the 1992 figures were prepared on a merger accounting basis. Comparative figures were for Ocean Wilsons (Holdings) and its subsidiaries.

Turnover was £109m (£77.4m) and attributable profits were £3.71m (£2.97m). The new company takes realised surpluses through the p&l account and the attributable figures included gains of £531,000 (£711,000).

Earnings came out at 9.34p (6.39p). A final gross dividend of 3p is recommended for a total payment of 4p (3.66p).

Net assets expanded over the year, from 71.44p to 83.63p, of which 55.91p (42.23p) related to the Brazilian interests, including the tug fleet.

South Staffs Water up 18% to £10.3m

Profits of South Staffordshire Water Holdings rose from £8.74m to £10.3m pre-tax for the year to end-March. The 18 per cent improvement was scored on the back of a 7 per cent increase in turnover to £51.7m.

After-tax profits worked through at £8.89m (£8.07m) of which 70 per cent will be reinvested to finance capital expenditure.

Earnings emerged at 159p (148p). A final dividend of 32p makes a 47p (40.2p) total.

Possible expansion for Blackland Oil

Blackland Oil, the USM-quoted gas and oil exploration and production group, yesterday announced that it was in discussions which may lead to a substantial acquisition.

Full details would be announced as soon as practicable, the directors said.

Partner found for Richmond venture

Richmond Oil & Gas, the struggling natural resources company which lost its main asset to creditors last year, has found an investment partner for its Siberian joint venture.

Northstar Energy, a Canadian company, has agreed to pay $1.15m (£740,000) for 85 per cent of Richmond Russia, the sole asset of which is a 39 per cent interest in Taloil, a joint venture with Krasnoleninsk Oil and Gas.

Northstar has also agreed to find $18.5m in financing to equip the joint venture, and will procure funds in excess of $50m to meet the project's foreign capital requirements.

Richmond has been struggling to find financing for the joint venture since the company hit problems selling its coal bed methane interests. Last year's accounts were qualified, with accountants Touche Ross saying that Richmond's ability to continue trading would depend on disposals.

CIT finalises terms for CST

The China Investment Trust, which came to market earlier this year, has finalised the terms of its offers for CST Emerging Asia Trust.

Accepting holders of 1,000 CST ordinary shares will receive 634 CIT shares and 126 CIT warrants. Holders of 1,000 ordinary who elected to receive the cash alternative will receive £634.98 – or 63.498p for each CST share held.

An accepting holder of 1,000 CST warrants will receive 134 CIT ordinary shares and 26 warrants. Holders of 1,000 warrants who elected for the cash alternative will receive £134.98 – or 13.498p for each CST warrant held.

Bowthorpe expands with £1.5m purchase

Bowthorpe Group has, through its Protimeter subsidiary, acquired Ashworth Instrumentation as a going concern from Sycamore Holdings. The purchase price is £1.5m cash.

Ashworth is a manufacturer and supplier of on-site moisture measurement equipment which, Bowthorpe says, will complement the Protimeter range of electronic moisture measurement instruments.

Possible bid for Harrison Industries

The board of Harrison Industries said it had noted the recent rise in its share price and stated that preliminary talks were being held with a potential purchaser which could lead to an offer being made for the company.

The board said it had been informed that any offer from this party would only be at a substantial discount to the market price. The shares closed 1.5p down at 6p.

Downiebrae requests halt to dealing

Downiebrae Holdings, the Glasgow engineering group which announced on May 21 that it was in talks that could lead to a substantial acquisition, yesterday requested that its shares be temporarily suspended pending an announcement. At midday – the time of the suspension – the shares were quoted at 77p.

Kingstream lapses bid for Plateau

Kingstream Resources, the small Australian exploration company, has lapsed its hostile bid for Plateau Mining.

Kingstream said this was because Plateau shareholders had passed a resolution approving the reversal into the UK company by Dixon Motor Holdings, a motor dealership in the north of England. The ownership of such a business was not compatible with the commercial objectives of Kingstream, it said.

On May 20, Kingstream had received acceptances in respect of 9.55 per cent of Plateau's share capital. No more acceptances had been received.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Carlton Comms ......int	7.4	-	6.7	-	17
Hi-Tec Sports ......fin	1†	-	3.85	2	5.5
Jarvis Porter ......fin	3.2	July 30	3	4.7	4.4
Ocean Wilsons ......fin	3☆	June 25	2.66	4	3.66
Radio Clyde § ......int	3.5	July 9	3.25	-	8.5
Sth Staffs Water......fin	32	July 1	26.7	47	40.2

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆ Gross.

Dublin confirms Telecom alliances

By Tim Coone in Dublin and Andrew Adonis in London

THE IRISH government yesterday confirmed that it is seeking a strategic alliance for Telecom Eireann, its national telecommunications utility.

However it emphatically ruled out privatisation, following reports that Cable and Wireless, the telecommunications group, is negotiating for a 25 per cent stake.

C&W said that discussions were progressing "at a senior level, with a view to a possible strategic alliance or joint venture".

Privatisation is a political minefield in Ireland.

The sensitivity of the issue was underlined yesterday by Mr Dick Spring, the deputy prime minister and leader of the Irish Labour party, who said that the sale of any of TE "would represent a breach of the programme of government".

This was a thinly-veiled warning to his Fianna Fail coalition partners that the Labour party might be prepared to leave the government on the issue.

Mr David Begg, the general secretary of the Communications Workers' Union also warned that his members would fight any efforts to privatise the company.

Mr Brian Cowen, minister for transport, energy and communications, said: "Privatisation is not on the agenda."

However he added that he had instructed TE to look for "strategic alliances or joint ventures . . . to maintain its position in a sector which is moving at an alarming and accelerating rate.

"The idea of the company standing alone in an international arena is something that I think would be questionable in the long term."

With a debt/equity ratio of about 250 per cent, and a telephone line penetration rate of only 31 per 100 people, TE is anxious for overseas investment and expertise.

Privatisation of state-owned telecommunications utilities is now commonplace outside Europe. Within the EC only the UK has yet privatised, but Greece is negotiating with overseas companies for the sale of a significant equity stake and most operators have been constituted as companies separate from the government, in some cases with a view to possible privatisation.

Both Mr Spring and Mr Begg have made it clear they were not opposed to TE entering into new joint ventures, but neither spelled out how the company might raise capital for such a move without giving a future partner a stake.

With its UK Mercury network, which now extends to Belfast, C&W has obvious attractions to TE as a partner or equity holder.

For C&W it would be in line with the company's policy of expanding from existing business centres. Apart from Mercury, its European business includes a 40 per cent stake in Tele2 of Sweden, the second national carrier, and leased line businesses in France, Italy and Germany.

TE has had a turbulent decade since its establishment in 1984, with four chairmen in the past two years. Mr Michael Smurfit resigned in September 1991 after it was revealed he had an interest in a company which was involved in selling a site on to TE for building its new headquarters.

His successor, Mr Brendan Hynes, was sacked after only six months, after a revolt by fellow directors upset by his "hands-on" management approach in dealing with overstaffing and lack of competitiveness. An acting chairman, Mr John Scanlan, was replaced last December by Mr Ron Bolger, a partner in a prominent Dublin accountancy firm.

The government's inept handling of recent privatisations, in particular that of Greencore the sugar, malting and milling group, has made it even more difficult for the issue of future privatisations to be the subject of rational public debate.

Boosted by reports of the Irish deal, C&W's shares closed up 10p on the day at 724p.

Acquisitions help Jarvis Porter to £4.8m

By Paul Taylor

ACQUISITIONS and improved margins helped Jarvis Porter, the specialist label printer for the spirits, toiletries and pharmaceutical industries, more than double its full-year pre-tax profits.

The Leeds-based group which acquired the promotional print division of James Wilkes in August for a total of £12m, reported pre-tax profits of £4.78m in the year to February 28. This compared to £2.19m a year earlier when profits were depressed by a £500,000 provision to cover anticipated rationalisation costs.

Turnover grew by 40 per cent to £39.7m (£28.4m) with £9.3m of the gain attributed to acquisitions, including £7.9m from the James Wilkes' promotional businesses which are market leaders in printing drip mats and other promotional material for the drinks industry in the UK and Belgium.

Sales and profits were also boosted by a full year contribution from Holmes McDougall, the Glasgow whisky label printer acquired in June 1991.

Earnings per share rose from 8.3p to 11.4p and the final is being increased to 3.2p (3p) per share making a total of 4.7p (4.4p) for the year.

Operating profits increased by 63 per cent to £4.76m (£2.92m) with £1.2m of the gain attributed to acquisitions and £700,000 to organic growth. Operating margins rose to nearly 12 from 10.2 per cent.

Pre-tax profits were also boosted by £24,000 in net interest receipts compared with net interest costs of £221,000 last year.

Mr Richard Brewster, chief executive, who joined Jarvis in March 1991, said the results reflected the success of the group's strategy in focusing on specific niche markets within the packaging sector.

The group ended the year with net cash of £3.2m which helped fund the acquisition of two self-adhesive label companies, Dolphin based in Lewis and Irwin Packaging Holdings based in Cardiff after the year-end. Jarvis paid £4.6m in cash from its own resources for the two companies and assumed £1.5m in bank debts.

● COMMENT

Even excluding acquisitions, operating profits at Jarvis Porter increased by 24 per cent and sales by 6.5 per cent last year. The group is now the biggest UK supplier in all three of its niche label markets, and increased its market share in the self-adhesive labels market by 5 per cent when it acquired Dolphin and Irwin Packaging. Further acquisitions are likely since Mr Brewster says he has a list of 60 potential acquisitions in Britain and on the Continent. Some 18 per cent of group sales now go customers outside the UK and the group's involvement in Continental Europe is likely to grow as its follows its multinational customers overseas. The share price has risen sharply since last Autumn and now stands at an all-time high of 240p. Forecast pre-tax profits of £6.7m this year would give earnings of 14.1p and a prospective p/e of 17. This is a quality buy.

Rulings, relationships and regulatory regimes

Angus Foster on the slower profits growth expected from the forthcoming results of the 10 privatised water companies

THE TRADITIONAL rally in water companies' shares ahead of their annual reporting season, largely prompted by expectations of increased dividends, has so far failed to take off.

With the first of the ten privatised companies, North West Water, announcing results for the year to March 31 tomorrow, the sector has instead fallen more than 10 per cent in the last month. The decline partly stems from investors switching into recovery stocks, and partly from worries about regulatory risk.

This year's results season, which rumbles on until mid July, will be the last before Ofwat's 1994 periodic review, when price levels to the end of the decade and beyond will be set. As such, this will be the last time until after the review that attention will still focus on companies' results, rather than their relationship with the regulator.

The results threaten to be unexciting. Although companies continue to diversify into unregulated areas like waste management and process engineering, group results are still dominated by their core water and sewage businesses. These businesses are predictable and few surprises are likely.

Analysts expect average pre-tax profits growth to slow from previous years to about 5-6 per cent. Operating profits are still growing rapidly, thanks to guaranteed price rises. But pre-tax figures are constrained by higher financing costs as borrowings on capital expenditure programmes starts to mount up.

North West, for example, is expected to report interest charges of about £50m last year, compared to interest received of £16m in the previous period.

Ms Angela Whelan, water analyst at BZW, expects most companies to have moved into a lightly geared position. But, illustrating the strength of water companies' balance sheets, average gearing is likely to increase to no more than 30-35 per cent by 1995.

Behind the headline profit figures, which are all expected to be reported in line with FRS 3, three special situations are expected to lift profits at Northumbrian, Welsh and Wessex well above the sector average.

Northumbrian will include a £7.3m first half profit from an investment fund, while Welsh will include a pre-tax £17m exceptional gain from the sale of its 14.9 per cent stake in South Wales Electricity last December. Wessex's results will be helped by a contribution of several million pounds from UK Waste Management, its joint venture with Waste Management International of the US.

Dividend growth, meanwhile, is expected to be more punchy, with companies announcing increases of 9 per cent or more, or a real increase of up to 5 per cent.

WATER SERVICES COMPANIES

Pre-tax profits and dividends forecasts for year to March 31 on an FRS3 basis

Date	Company	Profit £m	Per cent increase	Final div	Per cent increase
May 26	North West	245	7	14.27	8.7
May 27	South West	92	2	15.6	6.8
June 2	Thames	245	4	13.8	7.8
June 2	Yorkshire	136	10	14.05	8.1
June 8	Anglian	185	8	14.2	9.2
June 10	Northumbrian	69	13	15.0	9.5
June 15	Wessex	85	11	14.3	10.9
June 17	Severn Trent	265	0	14.0	9.4
June 17	Southern	120	10	14.4	10.8
July 15	Welsh	158	14	15.6	9.3

Source: NatWest Securities

As in previous years, this increase is likely to be seen by customers as excessive. According to Mr Robert Miller-Bakewell at NatWest Securities, the problem is partly due to falling inflation. "Given their dividend policy for the whole year was formulated [at the interim stage] when inflation was slightly higher, these final dividends will look pretty generous," he said.

Analysts therefore do not expect any further dividend increases to reflect changes in the rates of advance corporation tax introduced in the budget. With large capital allowances, water companies pay no mainstream corporation tax and stand to benefit from lower levels of unrelieved ACT.

According to some analysts, companies stand to save up to £100m this decade due to the changes. They may therefore be pressured by shareholders, some of which will lose money because of the changes, to share the windfall by paying higher dividends. Ofwat is likely to disagree.

With the regulatory review looming, companies will also be pressed for initial thoughts about their strategic business plans, which will map out targets for the following ten years. The strategic plans are due to be submitted to Ofwat next March and will form the basis for the regulator's decisions on each companies' price increases from 1995.

As a first step towards the plans, companies are already consulting customers about different market strategies and the various costs involved. Anglian surprised some observers earlier this month when initial public research suggested its customers may be prepared to pay more than the bare minimum to improve standards. North West, in contrast, said its research showed customers wanted to keep costs down.

Ofwat's review is likely to cast an ever lengthening shadow over share prices in the lead up to the regulators' final rulings. According to some analysts, the recent weakness in water shares also reflects investors' realisation that a year of uncertainty has begun.

The regulatory regime is not expected to become excessive. But it is likely to become tougher for the second half of the decade than it has been for the first. Ofwat is also expected to start, probably this autumn, publishing its conclusions on questions such as the cost of capital and companies' efficiency savings. Each announcement will give scope for jitters as the market weighs up each ruling's implications for the sector.

The last area of companies' results which will come under scrutiny is returns from unregulated businesses. These were mainly acquired after the 1989 privatisation and have performed poorly so far, partly because of the effects of recession.

Most companies see their unregulated businesses as a way to grow earnings after the periodic review and maintain dividend growth.

Profits growth expected to slow to about 5-6 per cent

Biffa, the waste management company acquired by Severn Trent in May 1991, has become the most high profile example of a disappointing acquisition. Biffa is expected to have remained loss making after interest costs last year.

Elsewhere, analysts will be keen to hear updates from Yorkshire Water about its engineering joint venture with Babcock.

Wessex should also have some early indications about the integration of NFC's waste arm, which it bought with Waste Management International in January.

Highland and IDV may swoop on NB Distillery

By Philip Rawstorne

HIGHLAND Distilleries and IDV, Grand Metropolitan's drinks division, are believed to be preparing a £100m joint takeover bid for the North British Distillery, an Edinburgh-based distiller of grain whisky.

North British, an unquoted company with 600 shareholders, announced 11 days ago that it had received a bid approach, and it declined yesterday to add to its statement.

The company, established last century by a consortium of wholesale whisky merchants, supplies grain whisky for Highland's Famous Grouse brand of blended scotch, and for J&B Rare, IDV's leading whisky brand.

Industry sources suggest that the Highland/IDV move may have been sparked by fears that another international drinks group, possibly Seagram of Canada, was considering a bid.

The largest shareholder of North British, with 33 per cent, is Robertson & Baxter, a whisky blender, which is 35 per cent owned by Highland. North British, in turn, has a 4.8 per cent stake, worth about £17m, in Highland.

The Edinburgh distiller's strong balance sheet, with cash at the end of December of £4.1m, adds to its bid attractions.

Profit before tax last year was £9.8m on sales of £31.3m, slightly below the previous year's results because of the pressures from surplus stocks in the industry.

Sindall shares recover as court defeat studied

By Nigel Clark

Shares in William Sindall, the Cambridge-based builder and civil engineer, yesterday recovered 15p of their 25p fall on Friday to close at 80p.

The Friday fall followed the relisting of the shares after Cambridgeshire County Council won an appeal against a judgment given in favour of the company. It related to an action for the rescinding of a £5.08m land purchase contract made in 1988.

Mr Ray Johnston, company secretary, said the shares had returned to the level before the judgment began to have an effect.

Sindall had bought the land, a former school playing field in Cambridge, from the council in 1988 with outline planning permission for housing, but later discovered that a sewer, which was not on the deeds, ran through it.

The shares were suspended on Thursday pending the appeal. In April the company said it was delaying the publication of its annual results.

Mr Johnston said the results would be published soon but could not give a date. He said the judgment was a long and complex document which required considered study.

He added: "The results will now record the ordinary trading figures of a company in the contracting sector without the benefit of the windfall we would have received if the judgment had gone our way."

British Gas may build plant in Indonesia

By Deborah Hargreaves

British Gas is considering the construction of a $260m power plant in Indonesia. The Indonesian government gave the company the go-ahead yesterday to complete a full feasibility study on the project which would involve the construction of a 400 MegaWatt gas-fired power station at Serpong in west Java.

British Gas is currently discussing the project with a number of partners, but the company stressed it had made no firm decision on its own involvement.

The project is understood to involve a power station that would be completed by 1996 and feed into the Indonesian electricity grid. It would be operated by British Gas and handed over to the Indonesian government 30 years after start-up.

British Gas is involved in two other projects in Indonesia. It is acting as technical consultant to Perum Gas Negara, the state gas company, providing technological and management support for the expansion of the gas distribution network in Jakarta.

British Data buy

British Data Management has acquired from Everoffer its data storage business, which trades as S&P Office Services.

The purchase price is £430,000 in cash.

BOARD MEETINGS

TODAY

Interims- Fairline Boats, Metro Radio, Tunstall.
Finals- Argyll, Betterware, Fleming Euro. Fledgling Inv., Prime People, Readicut Intl., Shires Inv., Thorn EMI.

FUTURE DATES

Interims-	
ABI Leisure	Jun. 3
Batt Bros.	Jun. 3
Chrysalis	Jun 4
Headtree Brewery	Jun. 29
Johnson & Firth Brown	Jun. 7
Kleeneze	Jun. 2
M & W	Jun. 14
Murray Johnstone	Jun. 8

Finals-	
Anglian Group	Jun. 2
Beaufort	Jun. 1
Cook (Wm)	May 28
Cropper (James)	Jun. 10
EMAP	Jun. 7
European Colour	May 26
Gresham House	May 27
Hambro Insce.	Jun. 3
Lazard Select Inv. Tst.	Jun. 1
National Grid	Jun. 8
Proteus Intl.	Jun. 8
RIT Capital	Jun. 3
St. James's Place Capital	Jun. 3
Warburg (S.G.)	May 26

COMMODITIES AND AGRICULTURE

Struggle to fix EC farm price deal

David Gardner in Brussels

EUROPEAN COMMUNITY agriculture ministers will today attempt to forge a compromise on this year's farm price package, against a formidable list of concessions demanded by France, and opposition among several member states to increases in milk quota for Italy.

The European Commission fears the demands could break the EC farm budget and risk unravelling last year's paintakingly negotiated reform of the Common Agricultural Policy.

"It is not so much that the demands are massive," one Commission official said, "but that the budget is so tight now that any increase could be fatal. Plus [increases in] aid risks disrupting CAP reform."

The farm budget, expected to come in at around Ecus35bn this year, is under growing strain because of the currency turmoil of the past nine months.

The price package put forward by Brussels is, on the face of it, anodyne, in that it derives almost wholly from the decisions on CAP reform taken last year.

But the attempts to chip away at it could turn into a challenge to the very tightly structured coherence of the reform itself. France wants a 50 per cent increase in the amount of compensation paid to oilseed producers for the land they set aside, or take out of production.

In addition, in response to the CAP reform's injunction to oilseeds and cereals producers to set aside 15 per cent of their land on a five-year rotational basis, Paris wants the period of rotation of set-aside cut to two years. The Commission recently increased the set aside percentage to 20 per cent for land which is not rotated, to prevent farmers from maximising production by leaving only their least fertile land fallow.

Senior Commission officials concede that France, in the end, will be allowed to pay its farmers additional national – rather than EC – subsidies for set aside. But limiting the quantity will be vital if the new CAP is not to be undermined, especially if there is a knock-on effect through other member states.

France also wants to loosen the new limits on buying in surplus beef to the EC's growing meat stockpiles; a reduction in the proposed 5 per cent cut in butter prices; and a restoration of the 4.7 per cent cut in EC milk quota made in 1989, although this was thereafter fully compensated.

The milk demand, to help farmers in France's mountain areas, got backing from Ireland, which wants to buttress its smaller dairy (and beef) farmers.

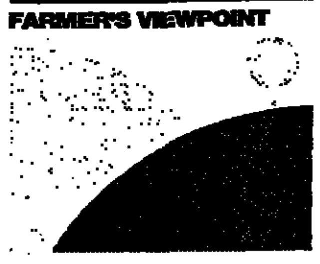
But it further complicated the row over Italian milk quotas. Italy in principle is to get an extra 900,000 tonnes of milk quota, if it can demonstrate that it is cutting 1.6m tonness of its now 2.5m tonnes over quota output.

The Benelux countries and the UK remain to be convinced that it is on target - unlike Spain and Greece which negotiated similar concessions in exchange for reducing the overproduction.

High costs of producing nothing

Even those who sent in Domesday forms face an uncertain future

FARMER'S VIEWPOINT



By David Richardson

After the form-filling, the public relations battle. It was, of course, entirely predictable that the blame for the apparent nonsense incorporated into the reform of the Common Agricultural Policy would rebound on farmers. The proposed payment of EC taxpayers' funds to Community farmers in order to persuade them not to grow crops was bound to attract derision from the antis of both agriculture and the EC itself.

Indeed it is not so long ago that I was in the habit of deriding similar policies in force for many years in the US. In after-dinner speeches I used to quote a letter claimed to have been sent by an American farmer to his senator.

It was based on the (inaccurate, but only slightly) premiss that US farmers could get government grants "for not raising hogs. So I am going into the not raising hogs business next year," the letter writer continued. "What I want to know is what is the best kind of farm not to raise hogs on and what are the best kind of hogs not to raise?" And it went on to describe the difficulty the fictitious writer ancitipated in "keeping an inventory of how many hogs I have not raised". It ended with the following postscript: "Can I raise 10 or 12 hogs on the side while I am in the not raising hogs business – just enough to get a few sides of bacon to eat?"

A few years ago that "letter" was guaranteed to raise a good laugh among a British farming audience. But I have not used it recently because today we too are in the not raising commodities businessand it might not go down so well.

So, having spent much of the last month with cold towels wrapped around their heads or queueing for expensive Ordnance Survey maps of their farms in order to complete long and complicated forms to qualify for such aid under The Integrated Administration and Control System (IACS), farmers should hardly be surprised that attacks on them have already begun.

First in line, again predictably, is the softest landowning target of all, the Royal Family. "The queen and Prince Charles" thundered a popular Sunday paper recently, "are set to receive nearly £300,000 of taxpayers' money this year." Of that, alleged the Sunday Express, £60,000 is for set-aside, the policy of paying farmers to grow nothing. The front page article failed adequately to explain that the remainder must, if the figures were accurate, be compensation for cuts in guaranteed prices which also formed part of last year's CAP reform package.

As a reluctant participant in the same scheme I must avoid defending it. But to criticise the queen, or any other farmer, for claiming compensation for being forced to "do nothing" on some of their land is equivalent to saying that people who invest their savings in a building society should not receive interest. The fact is that the owners of land are as entitled to earn income from their asset as the owners of cash or shares and when that entitlement is denied, or reduced, by government decree they should also be entitled to compensation.

In any event it is hardly accurate to suggest that the cash will go to farmers for doing nothing. Claimants are required to keep set-aside land trimmed and free of harmful weeds. And when the time comes to plough and plant another crop the costs of this preparation of the soil will be much higher than if the land had been regularly cultivated.

It should also be understood that although the set-aside scheme is advertised as voluntary, it is in fact virtually compulsory. For farmers who do not participate deny themselves the right to compensation for commodity prices which will be 30 per cent lower by 1995. Few could survive such a cut in revenue – given that incomes have already fallen by more than 50 per cent in real terms during the last decade – especially when they face significant increases in the costs of imported inputs as last September's devaluation of sterling begins to bite.

So, like the queen and her agents, most farmers concluded they had little alternative to setting land aside and therefore attempted to complete the so-called Domesday forms claiming compensation by the May 15 deadline.

But some have not done so. Of the 240,000 forms sent out, only 155,000 had been returned by the due date. The rest probably includes some who have been unable to obtain the necessary documentation, in the form of maps in particular, in time. They risk reductions in entitlement to aid of 1 per cent per working day after May 15, up to a maximum of 20 days, after which they lose their rights altogether. The deficit in returned forms also includes small farmers who, in spite of massive publicity, have not realised what is at stake.

The other day I heard of a 150-acre neighbour who had not filled in his IACS forms "on principle". At a rough guess he has lost the right to about £6,000 of aid this year which is probably more than the annual profit he has made during the last few years. Even a small hobby farmer with six acres near here stood to lose £300 for failing to complete his forms, in spite of certain small farm exemptions.

The majority of British farmers who have done what was required, however, can now ride their weed mowers and wait for the money to arrive. As they do so they will contemplate with little pleasure the set-aside fields they are trimming and which they would rather have seen growing crops; the possibility that should there eventually be a Gatt agreement the area of set-aside they will be forced to take out of production could be doubled; and the very real risk that compensation for all this may not last.

For the irony is that the reformed CAP is likely to cost EC taxpayers significantly more than the flawed original. It will take very good PR indeed for the package to survive. Especially as farmers, the apparent beneficiaries, don't like it either.

Small sugar surplus seen for 1992-3

By David Blackwell

THE GAP between world sugar production and consumption in 1992-93 is now widely expected to be a deficit, but one London company has bucked the trend with a forecast of a surplus, albeit of only 560,000 tonnes.

ED & F Man puts world production at 111.8m tonnes for 1992-93, and consumption at 111.3m tonnes.

However, the production figures are calculated according to each individual country's crop years, while consumption is calculated between October and September. Man's latest sugar market report notes that if production is worked out over a uniform October-September season, a deficit of 313,000 tonnes emerges.

This is still much lower than last week's deficit estimates of 2.84m tonnes from Czarnikow, another London trade house, and 1.61m tonnes from the International Sugar Organisation.

Man points out that production estimates appear to be falling into line, but "there is still much discrepancy surrounding the consumption numbers." It describes the market, which has soared on supply factors such as the falls in Thai and Cuban production, as "bereft of consumption news". This has led to resistance to any further upward price movement.

Nevertheless, Man believes the market in raw sugar is likely to remain tight, especially as the emerging southern hemisphere crops for 1993-94 from Australia, South Africa and Brazil have all been hit by drought.

US farmers criticised

ENVIRONMENTAL groups have criticised growing US reliance on chemical fertilizers and pesticides and called on the government to show "bold leadership" in pushing farmers to cut the use of agrichemicals, writes Lisa Bransten in Washington.

Programmes approved by Congress in 1990 to develop alternative ways to protect crops remain underfunded, say the environmentalists.

A study by Public Voice for Food and Health Policy reported that the volume of pesticides used on US crops rose 125 per cent between 1966 and 1991, despite a slight fall after 1988. A parallel study by the World Wildlife Federation reported that Sweden and Denmark cut pesticide use 25-50 per cent in the late 1980s due to government-sponsored reduction programs.

Udokan mine agreement to be renegotiated

By Leyla Boulton in Moscow

THE RUSSIAN winner of the Russia's first international mining tender is now renegotiating almost every aspect of plans to develop the country's biggest copper deposit, including the buy-out of its foreign partner.

Mr Andrei Chuguyevsky, whose Arter group holds 35 per cent of the Udokan Mining Company which won the tender, is acting partly under pressure from the Russian authorities, who now want the copper concentrate to be smelted in Russia, rather than in China as initially proposed.

This is one of the reasons why Mr Chuguyevsky says he is currently negotiating to buy out Mr Eddie Wong, the Hong Kong businessman who holds 45 per cent of UMC and set up the Chinese end of the deal.

Mr Chuguyevsky has also begun looking for alternative sources of financing for the project, which was to have relied partly on the sale of 200,000 tonnes of concentrate a year to China. He intends to dispense with the services of Allen & Co, the private New York investment bank lined up by Mr Wong to raise some of the capital, and has started talking to other western banks, including Morgan Grenfell, as well as the International Finance Corporation, the World Bank's private investment arm.

Having defeated major western mining companies in a tender organised by Goldman Sachs, Mr Chuguyevsky's challenge now is to raise western finance for an all-Russian project. The turnabout illustrates how everything, to quote a western banker, is "negotiable" in Russia's investment climate.

The licence agreement stipulated that he appoint a world-class western company as project operator. This was widely expected to be Fluor Daniel, the US mining company which helped draw up a pre-feasibility study on the Udokan deposit. But Mr Chuguyevsky has begun talking to Australia's BHP, one of his competitors in the tender. He said he would appoint a project operator only after a feasibility study which would take more than a year.

One problem was that though foreign companies were keen to extract guarantees of tax concessions from the Russian government, these would not be forthcoming in advance. Five Russian enterprises have already undertaken to smelt the copper.

Low price forces lead output cut

By David Blackwell

THE DRIFT in lead prices to the lowest levels for nearly seven years sparked a cut in production by a leading European smelter yesterday.

Metaleurop said it would stop production at smelters in France and Germany between June 15 and August 15, cutting refined output by 50,000 tonnes.

The company said it wanted to reduce oversupply in markets depressed by economic weakness in western Europe and exceptionally high shipments from eastern Europe. It intends to take the latter complaint to the EC Commission in Brussels.

Yesterday the three-month lead price on the London Metal Exchange moved ahead by more than £9 to £274.625 a tonne after a fresh 6½-year low last Friday after LME warehouse stocks rose to a record 254,125 tonnes.

Mr Nick Moore, analyst with Ord Minnett, said the Metaleurop decision crystallised "the debilitating impact of eastern bloc shipments to the West".

Imports from these countries were a record 173,000 tonnes in 1992. Chinese exports were up to 73,000 tonnes from 9,000 tonnes in 1991; Polish exports were at 14,000 tonnes from 8,000 tonnes; and CIS exports were 70,000 tonnes from 45,000.

Mr Moore pointed out that in 1980 the West exported 123,000 tonnes to the East. Consumption in the West last year, fell 0.9 per cent to 4.43m tonnes.

In dollar terms three-month lead fell from $450 a tonne at the beginning of April to $404 last week. Yesterday it closed at $423 a tonne, equivalent to 19.20 cents a lb. The average cost of producing refined lead in the West is thought to be between 23 and 24 cents a lb.

Zinc mines 'under acute stress'

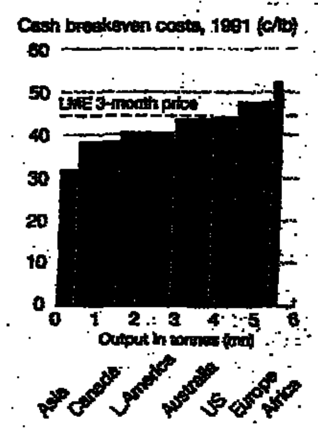
By Kenneth Gooding, Mining Correspondent

ZINC MINES are suffering acute financial stress because of low prices for the metal and because revenues from by-products such as lead and cadmium are also seriously depressed, according to Mr David Humphreys, economist at RTZ Corporation, the world's biggest mining company.

Prices for three metals languish at or near their lowest levels in real terms. Some smelters, far from giving a financial credit for the cadmium content of concentrate (an intermediate material), are imposing financial penalties if it is present, he said.

So far this year cuts have been made at zinc mines owned by MIM, Pasminco and Aztec Mining in Australia and by Noranda, Cominco, Curragh Resources and RTZ in North America. The International Lead and Zinc Study Group predicts mine output will fall this year by 6 per cent or more from the 1992 level. But, because stocks of zinc concentrate are so large, this will not in itself be enough to choke off production of refined metal from the smelters, which have good financial reasons for continuing output at a high level.

Zinc: Regional mining costs



Source: RTZ

Mr Humphreys said: "Without further smelter cuts, zinc metal production is on course for a further increase, largely from Latin America and non-Japan Asia."

If prices were to rise and stocks – at present representing more than 11 weeks' supply compared with the maximum of six weeks that the industry needed – to fall, smelter production cuts were urgently required. "Exchange rates and the condition of the domestic market suggest that cuts will need to be in Europe," he said. In Europe 18 smelters, one third of the world total, chased the same raw materials and the same customers.

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD fixed slightly lower than its morning setting in the afternoon on the London bullion market, taking the steam out of the overnight run-up in prices for all precious metals, dealers said. Technically, gold's outlook remains positive. **ZINC** broke lower on the LME, ending near fresh six-year lows. Selling pressure at around $970 a tonne for three-month metal eventually triggered the expected sell stops, driving prices down to $957 at one stage. Fundamentals remain weak, with supply continuing to exceed demand, and the market is in need of cuts in refined production to prevent further losses. **TIN** touched fresh 17-month lows, and traders expect further losses soon. If recent contract lows near $5,450 a tonne for three-month metal are breached, the market could fall to $5,300 – the lowest in real terms since the early 1970s. London robusta **COFFEE** ended around the day's lows on profit taking after an earlier advance. Dealers said moves between Latin American producers towards setting up an alliance to harmonise polices would have little market impact unless they led to firm agreements to withhold supplies.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Jul)		+ or -
Dubai	$15.90-5.92z	-.035
Brent Blend (dated)	$18.07-8.09	-0.02
Brent Blend (Jul)	$18.35-8.37	-0.08
W.T.I (1 pm est)	$18.76-8.78z	-.105
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$209-211	-1
Gas Oil	$171-173	-1.5
Heavy Fuel Oil	$69-70	-1
Naphtha	$184-186	+0.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$376.75	+1.6
Silver (per troy oz)♣	469.0c	+3.5
Platinum (per troy oz)	$389.65	+4.9
Palladium (per troy oz)	$119.50	+2.0
Copper (US Producer)	88.5c	
Lead (US Producer)	34.63c	+1.13
Tin (Kuala Lumpur market)	13.90r	-0.08
Tin (New York)	251c	-1.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	142.58p	+2.01*
Sheep (live weight)†♠	138.19p	+3.57*
Pigs (live weight)†	91.32p	-1.03*
London daily sugar (raw)	$306.6	+6.6
London daily sugar (white)	$300.0	+5.5
Tate and Lyle export price	£313.0	+7.0
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£166.5	
Wheat (US Dark Northern)	Unq	
Rubber (Jun)♥	58.75p	+1.25
Rubber (Jul)♥	59.00p	+1.25
Rubber (KL RSS No 1 May)	208.5m	
Coconut oil (Philippines)§	$430y	+7.5
Palm Oil (Malaysian)§	$360u	-2.5
Copra (Philippines)§	$265u	
Soyabeans (US)	£177.5z	+3
Cotton "A" index	59.85c	
Wooltops (64s Super)	362p	-5

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Aug/Sep u-Jun. z-July. v-Oct ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – London FOX			($ per tonne)	
White	Close	Previous	High/Low	
Aug	296.00	304.00	304.50	295.20
Oct	294.50	300.30	300.00	294.00
Dec	294.00	300.30	294.00	
Mar	294.80	300.30	297.70	294.00
May	297.00	302.80	298.00	297.00

White 585 (728) Paris- White (FFr per tonne): Aug 1625.56 Oct 1640.76

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
Jul	18.37	18.43	18.48	18.36
Aug	18.50	18.59	18.61	18.52
Sep	18.60	18.70	18.73	18.67
Oct	18.78	18.82	18.80	18.78
Dec	18.98	19.02	18.98	
IPE Index	18.45	18.29		

Turnover 8666 (21107)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Jun	170.50	171.25	171.50	169.50
Jul	171.00	171.50	171.50	170.25
Aug	172.75	173.50	173.50	172.00
Sep	174.50	175.25	175.00	174.50
Oct	177.75	178.25	178.00	177.50
Nov	179.75	180.50	180.00	179.75
Dec	181.75	182.75	181.75	181.25
Jan	182.25	182.75	182.25	

Turnover 7011 (10279) lots of 100 tonnes

TEA

There was good general demand for landed reports the Tea Brokers Association. Bright liquoring East African teas and better mediums were generally several pence dearer but other descriptions proved irregularly easier. The small quantity of Ceylons on offer sold at easier rates. Offshore brighter teas were fully firm to dearer but plainer sorts showed an easier tendency with some withdrawals. Quotations: quality 155, nom good medium 128, medium 105, low medium 87. The highest price realised this week was 155p for a Rwanda pd.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
May	646	643	645	639
Jul	665	664	667	658
Sep	681	681	682	674
Dec	703	703	705	698
Mar	724	724	724	718
May	738	738	739	734
Jul	752	752	753	751

Turnover: 1627 (1348) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 21 695.69 (698.57) 10 day average for May 24 701.38 (702.45)

COFFEE – London FOX			$/tonne	
	Close	Previous	High/Low	
May	921	928	936	920
Jul	933	947	955	933
Sep	932	941	952	930
Nov	940	947	957	941
Jan	950	954	957	955
Mar	960	959	964	959
May	976	967	965	

Turnover: 2972 (5761) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 21 Comp. daily 57.06 (55.89) 15 day average 53.65 (53.55)

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
Apr	95.5	94.0	95.5	94.1
May	103.1	101.5	103.1	102.0

Turnover 24 (31) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Aug	143.30	141.00	143.00
Oct	146.30	-	146.00

Turnover 20 (0) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point	
	Close	Previous	High/Low	
May	1640	1636	1640	
Jun	1535	1543	1550	1530
Jul	1380	1385	1390	1375
Oct	1435	1444	1445	1435
Jan	1475	1478	1480	
BFI	1636	1631		

Turnover 205 (236)

GRAINS – London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
Jun	139.00	138.60	139.05	138.90
Nov	108.90	108.75	109.10	109.00
Jan	111.80	111.70	111.95	
Mar	114.15	113.95	114.20	
Barley	Close	Previous	High/Low	
Nov	108.50	108.60	108.60	
Jan	111.00	111.15	111.00	

Turnover: Wheat 90 (445), Barley 4 (152).
Turnover lots of 100 Tonnes.

PIGS – London FOX			(Cash Settlement) p/kg
	Close	Previous	High/Low
May	115.8	115.8	115.5
Jun	109.0	108.5	109.0
Jul	103.0	102.5	103.0
Oct	103.3	102.0	103.0

Turnover:12 (7) lots of 3,250 kg

LONDON METAL EXCHANGE						(Prices supplied by Amalgamated Metal Trading)
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 26,542 lots
Cash	1113.5-4.5	1119.5-20.5		1112.5-3.0		
3 months	1137-8	1142.5-3	1146/1135	1135.5-6.0	1138-9	189,947 lots
Copper, Grade A (£ per tonne)						Total daily turnover 44,515 lots
Cash	1178-9	1183.5-4.5	1174/1174	1185-5.		
3 months	1196-7	1201-2	1202/1191	1203-3.5	1201-1.5	209,714 lots
Lead (£ per tonne)						Total daily turnover 4,348 lots
Cash	265-6.5	255.5-6		265.25-5.5		
3 months	274.5-4.75	265-5.5	266/264	275.5-5.75	266-7	19,738 lots
Nickel ($ per tonne)						Total daily turnover 5,291 lots
Cash	5640-5	5660-5		5605-7		
3 months	5705-10	5725-30	5725/5650	5672-5	5705-10	49,382 lots
Tin ($ per tonne)						Total daily turnover 1,892 lots
Cash	5425-7	5445-55		5405-8		
3 months	5485-90	5500-10	5510/5500	5465-7	5500-10	8,835 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 18,778 lots
Cash	948.5-7.5	952.5-3.5	953.5	551-1.5		
3 months	965-6	971-2	979/970	969-9.5	971-2	67,611 lots

LME Closing £/$ rate: SPOT: 1.5355 | 3 months: 1.5262 | 6 months: 1.5172 | 9 months: 1.5098

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	376.50-377.00	
Opening	379.75-380.25	
Morning fix	380.00	247.605
Afternoon fix	379.25	247.439
Day's high	381.25-381.75	
Day's low	375.50-375.83	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.60	6 months	2.51
2 months	2.53	12 months	2.51
3 months	2.51		

Silver fix	p/troy oz	US cts equiv
Spot	308.25	472.25
3 months	312.55	475.65
6 months	316.95	479.25
12 months	325.65	488.05

GOLD COINS	$ price	£ equivalent
Krugerrand	380.00-383.00	250.00-252
Maple leaf	384.65-387.10	-
New Sovereign	90.5-93.50	59-61

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1125	30	46	23	28
1150	17	34	37	40
1175	9	24	54	55
Copper (Grade A)	Calls		Puts	
1800	74	102	47	66
1850	50	77	73	91
1900	32	57	104	120
Coffee	Jul	Sep	Jul	Sep
900	50	73	5	42
950	24	49	17	66
1000	10	33	41	102
Cocoa	Jul	Sep	Jul	Sep
700	5	24	40	18
725	2	17	62	29
750	1	11	86	43
Brent Crude	Jul	Aug	Jul	Aug
1800	-	76	12	23
1850	18	45	30	41
1900	4	21	-	-

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
May	373.9	377.5	0	0
Jun	374.2	377.9	381.9	372.0
Jul	375.1	378.8	0	0
Aug	376.1	379.9	384.0	374.0
Oct	377.9	381.7	385.5	376.2
Dec	379.7	383.4	387.8	377.0
Feb	381.3	385.0	387.5	380.0
Apr	383.0	386.7	389.5	385.0
Jun	384.7	388.4	391.0	388.0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jul	386.0	393.4	397.0	384.0
Oct	384.6	391.9	395.0	383.0
Jan	384.1	391.4	393.5	384.0
Apr	383.6	391.1	392.0	392.0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
May	463.5	466.9	466.0	452.0
Jun	453.9	467.2	462.0	452.0
Jul	455.0	468.3	474.5	452.0
Sep	458.2	471.5	477.0	455.0
Dec	463.0	476.2	482.0	460.0
Jan	463.6	476.8	0	0
Mar	467.8	481.0	487.0	467.5
May	471.4	484.7	491.0	470.0
Jul	474.7	488.0	494.5	494.5
Sep	478.6	491.9	489.0	489.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
May	81.35	81.85	81.50	81.10
Jun	81.35	81.90	81.35	81.15
Jul	81.65	82.25	81.90	81.30
Aug	81.95	82.50	0	0
Sep	82.25	82.80	82.55	82.00
Oct	82.50	83.05	82.80	82.80
Nov	82.80	83.30	83.10	83.10
Dec	83.10	83.60	83.35	82.90
Jan	83.25	83.75	83.60	83.60
Feb	83.50	84.00	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Jul	18.77	19.88	19.94	19.72
Aug	20.00	20.07	20.12	19.95
Sep	20.12	20.18	20.23	20.10
Oct	20.16	20.23	20.27	20.15
Nov	20.20	20.25	20.25	20.20
Dec	20.25	20.27	20.29	20.23
Jan	20.24	20.27	20.28	20.24
Feb	20.27	20.27	0	0
Mar	20.22	20.26	20.27	20.22
Apr	20.20	20.25	0	0

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Jun	54.00	54.44	54.55	53.80
Jul	54.25	54.68	54.80	54.20
Aug	55.10	55.33	55.40	55.05
Sep	56.10	56.38	56.45	56.00
Oct	57.05	57.38	57.35	57.00
Nov	58.00	58.33	58.30	58.10
Dec	59.10	59.23	59.30	59.05
Jan	59.40	59.71	59.85	59.60
Feb	59.45	59.44	59.45	59.45
Mar	58.10	58.06	58.15	58.05

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Jul	886	887	893	880
Sep	918	918	924	913
Dec	959	960	965	953
Mar	992	992	997	990
May	1015	1015	0	0
Jul	1035	1035	1044	1040
Sep	1058	1058	0	0
Dec	1090	1090	0	0
Mar	1124	1124	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
May	62.50	59.65	61.40	60.50
Jul	61.45	65.40	66.30	61.10
Sep	63.25	67.20	68.00	63.00
Dec	65.60	69.80	70.40	65.50
Mar	67.70	72.00	72.50	67.70
May	69.65	74.00	0	0
Jul	71.20	75.60	0	0
Sep	72.75	77.20	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	11.61	12.36	12.42	11.55
Oct	11.75	12.37	12.36	11.75
Mar	11.20	11.57	11.54	11.16
May	11.08	11.42	11.20	11.15
Jul	11.00	11.34	11.33	11.32
Oct	10.94	11.28	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Jul	61.34	60.96	61.40	61.00
Oct	59.90	58.75	59.90	59.68
Dec	59.14	58.95	59.17	58.91
Mar	60.08	59.96	60.10	59.95
May	60.65	60.70	0	0
Jul	61.10	61.20	61.45	61.10
Oct	60.10	60.18	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	112.10	109.95	115.50	110.55
Sep	115.00	112.90	117.30	113.50
Nov	117.00	114.00	119.00	116.25
Jan	118.85	115.80	120.30	117.00
Mar	119.95	117.25	120.40	119.00
May	119.95	116.95	120.00	118.00
Jul	119.95	116.95	0	0
Sep	119.95	116.95	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)				
	May 24	May 21	mnth ago	yr ago
	1681.4	1674.0	1656.9	-

DOW JONES (Base: Dec. 31 1974 = 100)				
	May 21	May 20	mnth ago	yr ago
Spot	122.45	120.67	-	117.09
Futures	123.40	122.98	-	117.12

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jul	606/0	608/0	609/2	605/0
Aug	605/0	606/2	607/4	604/0
Sep	603/0	604/0	605/4	602/4
Nov	605/2	605/6	608/0	604/4
Jan	611/2	611/6	613/4	610/6
Mar	617/0	617/2	619/0	616/0
May	619/4	619/4	620/4	618/0
Jul	619/0	619/2	621/0	619/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	21.49	21.41	21.58	21.41
Aug	21.61	21.54	21.69	21.54
Sep	21.74	21.67	21.80	21.67
Oct	21.85	21.78	21.90	21.82
Dec	22.08	22.00	22.15	22.01
Jan	22.15	22.09	22.24	22.10
Mar	22.33	22.28	22.38	22.32
May	22.50	22.40	22.50	22.45
Jul	22.60	22.50	22.60	22.55
Aug	22.65	0	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Jul	192.1	193.0	193.3	191.6
Aug	191.2	191.8	191.9	190.7
Sep	190.5	191.4	191.5	190.5
Oct	190.1	191.2	191.4	190.0
Dec	190.7	191.5	192.0	190.6
Jan	190.9	192.0	192.0	190.9
Mar	192.3	192.9	0	0
May	193.3	193.9	0	0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Jul	227/2	228/2	227/6	226/2
Sep	232/2	233/0	232/6	231/2
Dec	239/0	239/2	239/0	237/6
Mar	245/6	246/0	245/6	244/6
May	250/6	250/4	250/6	249/2
Jul	254/2	254/0	254/2	252/6
Sep	251/0	0	251/0	249/6
Dec	250/0	248/2	250/0	247/0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Jul	293/4	297/6	298/2	292/4
Sep	297/0	299/6	300/0	295/0
Dec	308/2	311/4	312/2	306/4
Mar	315/2	317/0	315/6	313/4
May	315/0	316/4	316/0	314/0
Jul	312/0	313/4	312/0	310/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jun	75.600	75.875	76.075	75.525
Aug	73.175	73.025	73.475	73.075
Oct	74.175	74.075	74.450	74.100
Dec	74.125	74.075	74.425	74.100
Feb	73.625	73.650	73.875	73.600
Apr	74.650	74.650	74.925	74.600
Jun	71.600	71.800	71.900	71.600

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Jun	52.875	52.850	53.100	52.600
Jul	51.975	51.925	52.200	51.800
Aug	50.100	49.925	50.300	49.800
Oct	43.975	43.850	44.125	43.750
Dec	44.825	44.900	45.000	44.700
Feb	44.800	44.850	44.950	44.750
Apr	43.800	43.600	43.850	0
Jun	48.800	48.800	0	0

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	42.850	43.525	43.250	42.600
Aug	41.075	41.575	41.325	40.700
Feb	41.625	41.600	42.000	41.100
Mar	40.750	40.500	40.750	0
May	42.025	42.025	0	0

Late rebound eases gloom on rate cut

By Terry Byland, UK Stock Market Editor

GLOOMY perceptions of the outlook for interest rates and for the recovery in the UK economy kept London stocks subdued for most of yesterday's session, and traders drew little comfort from a successful rebound from the FT-SE 2,800 area. With the institutions still evidently unwilling to move ahead of the BT III sale, which was launched yesterday, and the outcome of the Zeneca rights issue, the new equity trading account made an unimpressive start.

The market rallied from the day's low point with the help of a sizeable trading programme, weighted towards the buy side and thought to have been operated by the London arm of a Swiss bank. In early deals, London was depressed by the combination of Wall Street's weakness on Friday and a slow start in UK stock index futures. The low point of 2,804.3, down 7.9, was reached early, however, and shares began to steady as the trading programme took effect.

But the rally proved extremely shallow and the market remained no more than a shade either side of Friday's close until late in the session. Not until New York had opened with a gain of 15 Dow points in UK hours did London turn distinctly higher.

The success of New York's Dow Industrial Average in stemming its fall comfortably above the sensitive 3,480 mark cheered the UK market. At its final reading, the FT-SE Index was 13.4 up at 2,825.6. The stress on the international blue chips was reflected in the relative underperformance of the FT-SE Mid 250 Index which, although at another new peak of 3,168.4, added only 3.3.

Seaq volume slipped to 510.5m shares in a trading session generally agreed to be uneventful, with non-Footsie business around normal averages at some 64 per cent of the total. Friday's 699m shares through the Seaq network was worth £1.43bn in retail value. Retail business, the most significant guide to the market's health, has remained high as the Footsie Index has given ground recently.

The market's growing doubts about the outlook for the Zeneca rights issues were not helped yesterday by negative views on the pharmaceutical sector by analysts at a leading US investment bank. The opening of the sales campaign for the BT III issue, which will comprise virtually all the remaining government stake at a price of more than £5bn, served to remind the stock market of the weight of demand on institutional cash.

On the broader economic front, the UK stock market's dwindling hopes of a base rate cut were bruised by reports that a member of the Bundesbank council had dismissed any likelihood of a cut in German rates within the next few months. The chances of a cut in UK rates are regarded in the stock market as a political decision hinged on the progress of the recovery in the domestic economy, but news yesterday of a slight narrowing of Britain's trade gap with non-EC countries last month had little effect. In any event, any move on base rates is thought highly unlikely ahead of tomorrow's auction in the UK government bond market.

Against this uncertain background, UK shares appeared hesitant. Some brewery stocks extended the losses suffered last week in the wake of trading results from Bass, but consumer stocks were generally indecisive.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	10,000	70	+2½
Abbey National†	1,800	415	+4
Albert Fisher	255	65	+1
Allied-Lyons†	2,100	520	+1
Amstrad	423	32	+1
Anglian Water†	280	480	
Argos	221	309	+5
Argyll Group†	4,400	317	+15½
Arjo Wiggins†	1,400	180	-1
Ass. Brit. Foods†	299	472	+2
Ass. Brit. Ports	209	418	+1
BAA†	1,600	741	-4
BAT Inds.†	1,700	845	+8
BET	1,400	104	
BICC	1,300	385	
BOC†	879	689	-1½
BP†	4,900	307	-½
BPB Inds.	990	240	
BT†	4,300	413	+6
BTR†	3,800	596	+4
Bank of Scotland†	3,500	147	+1
Barclays†	1,800	457	
Bass†	2,300	485	+6½
Blue Circle†	1,800	257	+4
Booker	312	389	-2
Boots†	3,700	434	-1
Bowater†	2,000	473	+5
Brit. Aerospace	393	324	-3
British Airways†	2,800	307	+10½
British Gas†	4,800	287	+1½
British Land	1,500	314	
British Steel†	7,700	102¾	+3¼
Burmah Castrol†	119	681	+3
Burton	2,400	69½	+2½
Cable & Wire.†	1,700	724	+10
Cadbury Schweppes†	3,200	422	+8
Calor Group	169	337	+1
Carlton Comms.†	1,700	733	-1
Coats Viyella†	759	232	-2
Comm. Union†	619	581	+1
Cookson	709	202	-2
Courtaulds†	1,100	513	-4
Dalgety	94	426	
De La Rue†	299	854	+2
Dixons	677	218	+5
Eastern Elect.	383	470	+2
East Midland Elect.	718	480	+3
Eng China Clays†	222	433	+3
Enterprise Oil†	210	453	+4
Eurotunnel Units	181	394	
FKI	428	134	+1
Fisons†	1,900	164	+3
Foreign & Col. I.T.	2,800	228½	
Forte†	639	189	-1
Gen. Accident†	869	568	
General Elect.†	2,000	317	+1½
Glaxo†	4,500	629	
Glynwed Int.	336	299	+½
Granada†	1,100	387	-1
Grand Met.†	3,600	399	+1
GUS A†	211	1652	+29
GRE†	478	177	
GKN†	325	445	
Guinness†	2,000	460	+8
HSBC (75p shs)†	1,500	615	+10
Hammerson 'A'	486	330	-7
Hanson†	2,400	234½	+2
Hanson Warrants	569	23½	
Harrisons Crosfield	839	189	+2
Hillsdown	8,700	145	+5
IMI	517	277	-5
ICI†	1,300	1260	-3
Inchcape†	1,503	553	-3
Johnson Matthey	147	447½	-8½
Kingfisher†	1,600	578	-3½
Kwik Save†	690	780	+2
Ladbroke†	1,800	179½	+½
Land Securities†	2,200	568	+5½
Laporte	919	813	+6
Legal & General†	448	488	-1
Lloyds Abbey	137	420	
Lloyds Bank†	3,200	536	-5
LASMO†	1,800	147	+1
London Elect.	235	469	+4
Lonrho	3,800	118	+1½
Lucas	2,300	134	-1
MB Caradon†	879	310	-5
MEPC	517	441	+4
MFI	835	135½	+1½
Manweb	213	528	+8
Marks & Spencer†	3,600	335	+5
Midlands Elect.	846	469	+4½
Morrison (Wm.)	320	180	-1
NFC†	659	262	+4
NatWest Bank†	1,600	475	+2
National Power†	1,600	332	-2
[illegible]			
Reuters†	1,000	1310	+17
Rolls Royce	3,500	145	
Rothmans†	190	632	-4
Ryl Bk Scotland†	989	282	
Royal Insurance†	727	289	-2
Saatchi	876	181	-1
Sainsbury†	815	468	+6½
Scottish & New.†	840	448	+3
Scot. Hydro-Elect.†	241	329	+1
Scottish Power†	1,700	318½	+1
Sears†	6,180	89	
Sedgwick	854	187	+1
Seeboard	402	602	+4
Severn Trent Water†	1,000	482	+5
Shell Transport†	2,000	607	+3
Siebe†	807	454	-4
Slough Ests	2,300	220	+1
Smith (W.H.) A	85	429	+1
Smith & Nephew†	3,500	142½	
SmithKline Beecham†	1,200	467	
SmKl Beecham Uts.†	1,000	429	-1
Smiths Inds.	283	340	-2
Southern Elect.†	466	472	+8
South Wales Elect.	4	539	+6
South West Water	276	506	+2
[illegible]			
United Biscuits†	2,800	401	+5
Utd. Newspapers	1,100	606	+5
Vodafone†	3,600	419	
Warburg (SG)	172	704	-1
Wellcome†	925	787	+15
Welsh Water	198	552	-1
Wessex Water	235	572	
Whitbread 'A'†	1,800	478	+3
Williams Hldgs.†	578	320	-2
Willis Corroon	608	198	+1½
Wimpey	197	182	-2
Wolseley	663	855	+3
Yorkshire Elect.	61	513	+4
Yorkshire Water	100	519	+3

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:		
May 10	May 24	Jun 7
Option Declarations:		
May 20	Jun 3	Jun 17
Last Dealings:		
May 21	Jun 4	Jun 18
Account Day:		
Jun 1	Jun 14	Jun 28

*New time dealings may take place from 8.30am two business days earlier.

Another blow for Zeneca

A CHANGED recommendation on Glaxo by a leading investment bank prompted a turnaround in the stock and also added to market worries over prospects for the Zeneca rights issue. The analyst's move highlighted the fragile nature of the sector and the vulnerability of the impending £1.3bn rights issue from Zeneca, the bioscience arm of ICI.

Glaxo was up 16p in the morning on the back of positive reports in the weekend press. Then, Credit Suisse First Boston moved its recommendation to sell from buy. The advice was aimed chiefly at US investors and when New York opened, the shares ticked back in London to close unchanged at 629p.

Mr Robin Campbell of CSFB believes investors should be more concerned over Glaxo's dependence on its ulcer drug Zantac, which is likely to be threatened in the US by the arrival of cheaper rival products. He believes the loss of Zantac sales could wipe £400m a year from Glaxo's total turnover by 1995.

Potential sellers of pharmaceuticals stocks, which are already unsettled by worries over US healthcare reforms, needed little further encouragement. Any hopes that Zeneca might stage a recovery yesterday from recent weakness were dashed as analysts and marketmakers began to express increasing concern about next week's rights issue.

The Zeneca rights price of 600p a share contains a hefty 27.5p dividend but if the ex-rights price falls below 600p there is every possibility that a large amount of the shares offered will be left with the underwriters. Any take-up of less than 80 per cent would result in a significant drag on the stock and the sector. Zeneca ex-rights fell 3 to 622p while the nil-paid lost 5 to 30p. ICI 'new' eased 2 to 622p and the existing ICI slid 3 to 1260p.

BTR wanted

Broker support for BTR the industrial holding company, after the announcement of a Chinese bottling plant deal, pushed the shares up.

The company yesterday confirmed that its Australian subsidiary BTR Nylex had completed a \$270m (£175.3m) agreement to buy two glass container plants in Guangzhou and Shanghai.

Following the announcement, Hoare Govett, broker to BTR Nylex, published a buy recommendation. Mr David Ireland, who travelled in China with BTR's chief executive Mr Alan Jackson, predicted sales of A\$500m a year within five years as a result of the deal. He said China was the third largest beer drinking country in the world after the US and Germany and yet the per capita intake was only 7 litres a year compared with 140 in Germany. BTR shares closed 4 higher at 596p.

Argyll strong

A surge in Argyll Group ahead of full-year results today saw the shares close 15¼ ahead at 317p in good volume of 4.4m. Results are expected to reach the top end of analysts forecasts, of £405m to £420m, with positive news also anticipated on current trading. Argyll recently launched a price cutting programme.

The shares have generally lagged behind the rest of the food retail sector, which has itself been under a cloud as some brokers have grown fearful of the impact of food discounters. In addition, recent figures from J. Sainsbury underlined for some critics the maturity of the market and pointed to only slow growth at best in the near-term. Sainsbury shares were also strong yesterday, gaining 2 to 468p after going ex-dividend.

Some stability returned to Burmah Castrol as the market made a belated response to news late last Friday that two of the company's directors had bought additional shares in the company.

Burmah shares fell over four per cent last week as the market focused on a severe profits warning by Brent Chemicals. Yesterday, Burmah Castrol stock edged up 3 to 691p, albeit in relatively thin turnover.

Mr Brian Hardy, Burmah's finance director, bought 1,000 shares at 689p and Mr J.M. Fry, managaging director, bought 5,000 shares at 688p.

Leading oil shares were disappointing, according to dealers, as the market continued to worry about the forthcoming Opec meeting, scheduled for June 8. But NatWest Securities said two of the three key factors which drive the sector "looked quite promising".

NatWest saw a good chance of oil prices firming after the Opec meeting, "perhaps towards \$20 a barrel, amid fears of plans for higher energy taxes in the US and Europe and a seasonal pick up in oil demand". The broker also pointed to higher world refining margins, currently at \$3.58 a barrel, compared with the \$2.79 achieved in the first quarter.

NatWest maintained its positive stance on BP, describing the shares as "still the best recovery story", but said the market was still over-optimistic about Shell. BP eased to 307p while Shell edged up 3 to 607p.

Second-line oils attracted interest, especially Clyde which rose 2¼ to 50p after 750,000 shares changed hands.

British Steel was one of the market's most active stocks with some 7.7m shares were traded during the session.

The shares burst through the 100p barrier for the first time since November 1991 and closed a net 3¼ higher at 102¾p, with dealers citing last week's news of the closure of several steel plants in Germany as the main reason for the upturn in the stock. Steel was also the most heavily traded stock option where the equivalent of more than 7m shares changed hands.

The company, scheduled to report preliminary results towards the end of next month, is in its "closed season", and therefore unable to disclose information to the market.

British Steel shares have staged a remarkable recovery since reaching their all-time low of 46½p last November. The stock has been bolstered by a series of European steel price increases, with more expected in the autumn.

Reuters Holdings gained 17 to 1310p as further strength in the New York market helped internationally traded stocks.

BAT Industries, which also has a big exposure in the US, rose 8 to 845p. The tobacco and insurance group is to issue over 1.5bn new shares as a result of its planned capitalisation issue and its enhanced scrip alternative proposal.

A profits downgrading depressed Lloyds Bank which closed 5 off at 536p on relatively good turnover of 3.2m. NatWest, reflecting the successful cash raising in the US, via the issue of \$250m preference shares, edged up 2 to 475p.

The latest burst of strength in the Hong Kong market triggered renewed buying of HSBC, which moved up 10 to 615p.

TSB improved 2 more to 185p with dealers still talking about the likely sale of the bank's Hill Samuel arm.

British Airways rose 10¼ to 307¼p ex-rights after recent weakness. Doubts hanging over the stock were cleared last week when BA announced a rights issue after months of speculation.

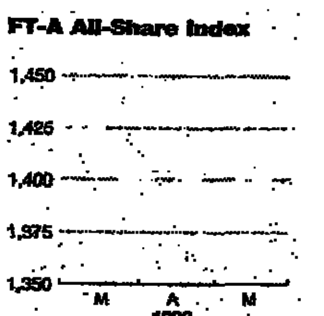
Property group UK Land was forced for the second time this year to issue a statement saying it knew of no reason why its shares had risen. They closed 9 up at 37p. In February, UK Land responded to a 4p rise to 30p by reminding the market that there was a deficit of shareholders' funds on March 311992 of £31.9m and that restructuring talks were still taking place. It made a loss of £17.1m for the 18 months to March 31. Dealers said they were equally mystified by the shares' rise.

Carlton Communications gained 6 in pre-market trading after reporting half-year profits of £55.1m, in line with most expectations. However, once the reassurance had been felt there was nothing else to latch on to and the shares were pulled back to close a penny down at 733p.

MARKET REPORTERS:
Christopher Price,
Steve Thompson,
Peter John.

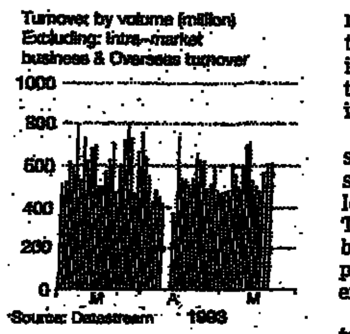
■ Other statistics, Page 29.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business & Overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (170).
AMERICANS (1) Lowe's, CANADIANS (4) Can. Pacific, Gulf Canada, Hawker Siddley Canada, Hudson's Bay, BANKS (2) Bk. Scotland, Natl. Australia, BREWERS (1) Wetherspoon (JD), BLDG MATLS (8) Brit. Dredging., Harrison, Heywood Williams, Lilleshall, Phoenix, Polypipe, RMC, Travis Perkins, Wolseley, BUSINESS SERVS (4) Automated Sec., Caskel, Hutch. Whmp., Securiguard, CHEMS (2) BTP, Porvair, CONGLOMERATES (5) AGA, Cannon St., Jardine, Trafalgar Hse., Do A. CONTG & CONSTRCN (6) Barcom, Crest Nicholson, Cussins, Gleeson (MJ), McAlpine (A), Try, ELECTRICALS (1) Critchley, ELECTRONICS (1) Molynx, ENG GEN (5) Haden MacLellan, Sylone, Vosper Thornycroft, HEALTH & HSEHOLD (2) Regina, Specialeyes, HOTELS & LEIS (1) Fairline Boats, INSCE COMPOSITE (1) Domestic & General, INV TRUSTS (26) Aberforth Smlr. Co's, Do Wts., Brazilian Inv., Do Wts., CST Emerging Asia, China & Eastern, City of Oxford, Derby Capital, Drayton Far East, Fulcrum Zero Pf., Gartmore Amer. Zero Pf., Gartmore Value Zero Pf., Govett Oriental, Grahame Rintoul, Malacca Fund, Mezzanine Cap., Pacific Assets, Do Wts., River & Merc. Smlr. Co, Do Wts., River & Merc Tst. Wts., Smaller Co's, Do Wts., Scottish Asian, Sphere Zero Pf., TR Property, MEDIA (6) Euromoney, Holmes Marchant, Mirror, Osprey Comms., Taylor Nelson, Telegraph, Ulster TV, WPP, MERCHANT BANKS (2) Close Bros., Kleinwort Benson, MTL & MTL FORMING (4) Brit. Steel, Castings, Clayhithe 9½pc Cv. '00-01, Cook (Wm), MISC (5) AB Consulting, Airsprung Furniture, Bluebird Toys, Chemring, Gt. Southern, OIL & GAS (5) Aminex, Blackland, Crossroads, Monument, Villers, OTHER FINCL (5) Baltic 7pc Pf., Broadcastle, Perpetual, Smith New Court Pf., Swire Pacific, PACKG, PAPER & PRINTG (3) Enso-Gutzeit, Jarvis Porter, Repola, PROP (24) Arcadian, Barlows, Bilton, Bourne End, Brit. Land 8¼pc Pf., Britannia, Burford, Daejan, Evans of Leeds, Grainger, Helical Bar, Hemingway, MEPC, Molyneux, Mountview, Safeland, Savills, Scottish Metrpl., Shaftesbury, Slough Ests., Southend Prop. Wts., Town Centre, Warner, Wood (JD), STORES (1) Kleeneze, TEXTS (5) Celestion, Dewhirst, Hawtin, House of Lerose, Leeds, TRANSPORT (5) British Airways, Do 9¾pc Cv., Ocean Wilsons, P & O 5½pc Prfd., Powell Duffryn, MINES (34).
NEW LOWS (31).
BRITISH FUNDS (1) Exch. 13¼pc '94, BREWERS (5) Allied-Lyons, Greenalls, Wolv. & Dudley, Young, Do N/V, BUSINESS SERVS (1) REA, CHEMS (5) Allied Colloids, BOC, Bayer, Brent, Courtaulds, CONTG & CONSTRCN (2) BB & EA, Baris, ENG GEN (1) BS, PCT, FOOD MANUF (2) Bols Wessanen, Tate & Lyle 7¼pc Pf., FOOD RETAILING (1) Appleby Westward, HEALTH & HSEHOLD (2) Haemocell, Proteus, INV TRUSTS (8) Kleinwort Endowment Policy, New City of Comm., MEDIA (1) Black (AC), MTL & MTL FORMING (1) Thyssen, MISC (2) Shanks & McEwan, Sthn. Business, OTHER INDLS (2) Marling, Williams 8p Pf., STORES (1) Boots, TEXTS (1) PEX, PLANTATIONS (1) Kuala Lumpur Kepong.

FINANCIAL TIMES EQUITY INDICES

	May 24	May 21	May 20	May 19	May 18	Year ago	* High	* Low
Ordinary share	2193.6	2187.4	2186.9	2194.2	2216.5	2133.4	2299.5	2124.7
Ord. div. yield	4.26	4.25	4.26	4.21	4.21	4.34	4.52	4.07
Earning yld % full	6.14	6.13	6.14	6.13	6.08	6.39	6.38	5.79
P/E ratio net	20.04	20.05	20.03	20.05	20.24	19.59	22.04	19.40
P/E ratio nil	18.70	18.71	18.69	18.71	18.89	18.17	20.30	18.14
Gold Mines	200.3	185.3	178.3	185.8	165.6	109.9	200.3	60.0

*for 1993. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2187.9	2182.2	2188.0	2183.2	2182.5	2184.0	2183.7	2184.3	2192.8	2222.6	2180.5

Volume	May 24	May 21	May 20	May 19	May 18	Year ago
SEAQ Bargains	28,746	33,158	28,241	28,436	28,598	29,837
Equity Turnover(£m)†	-	1434.5	1696.1	1327.7	1246.4	879.7
Equity Bargains†	-	36,829	33,234	32,446	33,158	33,683
Shares traded (mil)†	-	618.3	618.2	573.1	577.4	380.0

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

OPTIONS trading in British Steel was the highlight of a dull day in the derivatives market yesterday, writes Christopher Price.

Over 7,000 contracts were dealt in the steel maker, equivalent to 7m shares in the equity market. Dealers said the institutions involved were hedging on Steel's recovery potential, a fact highlighted by a number of brokers in recent weeks. The trades included 1,000 of the July calls at 8.5p and 2,000 of the October 110 calls at 7½p.

Among other stock options, other former nationalised industries also held sway, with 1,425 British Gas contracts being dealt, followed by 1,255 in British Airways. These were trailed by Lucas Industries, which traded 1,038, while Land Securities recorded 678.

However, the day's overall total of 23,887 was well down on Friday. The FT-SE contract reached 5,686 contracts.

In the futures market, the June contract opened weakly at 2,810, drifting down fairly smartly to the day's low of 2,802. Buyers were then seen and the contract perked up, although trading continued in a tight band and low volume.

Dealers said there was little for the market to focus on, although the afternoon session was a little livelier on the back of French rate cuts and a slightly stronger Wall Street.

June closed at 2,834, about 4 points over its fair value level of around 5.5. Volume was a lowly 5,059 contracts.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2825.6 +13.4	3168.4 +3.3	1397.91 +5.28

	May 24	Day's change %	May 21	May 20	May 19	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd
FT-SE 100	2825.6	+0.5	2812.2	2816.8	2819.7	2715.0	6.42	4.04	18.29	45.97
FT-SE Mid 250	3168.4	+0.1	3165.1	3160.1	3149.0	2822.0	5.94	3.67	21.52	36.10
FT-SE-A 350	1411.1	+0.4	1405.8	1406.9	1408.9	1334.0	6.31	3.95	19.75	21.61
FT-SE SmallCap	1610.87	+0.2	1607.88	1605.44	1603.10	–	4.53	3.53	31.11	20.01
FT-SE SmallCap ex Inv Trusts	1623.63	+0.2	1620.28	1616.87	1614.00	–	5.01	3.72	28.99	21.04
FT-A ALL-SHARE	1397.91	+0.4	1392.63	1393.64	1393.51	1319.18	6.20	3.93	20.21	21.15
1 CAPITAL GOODS(213)	996.35	+0.3	985.05	984.87	982.60	925.01	4.80	3.89	27.74	14.61
2 Building Materials(27)	1108.00	+0.7	1100.32	1093.12	1087.39	1102.83	4.56	4.38	29.81	18.38
3 Contracting, Construction(29)	986.30	-0.2	988.07	989.41	989.92	1054.29	1.89	3.32	80.00†	13.02
4 Electricals(15)	2913.68	-0.1	2916.21	2927.39	2900.67	2758.50	5.13	4.63	24.80	65.13
5 Electronics(37)	2670.98	+0.4	2660.78	2669.50	2665.40	2020.69	5.92	2.99	21.34	20.36
6 Engineering-Aerospace(7)	382.76	-0.5	384.65	387.53	388.15	401.59	‡	3.86	‡	5.13
7 Engineering-General(51)	559.49	-0.2	560.44	561.79	563.53	567.21	6.87	3.78	18.28	7.53
8 Metals & Metal Forming(11)	427.22	+1.1	422.63	421.54	422.98	374.79	4.05	2.88	35.51	2.29
9 Motors(18)	390.73	-0.3	391.73	391.43	390.03	401.85	4.99	5.64	28.84	6.59
10 Other Industrials(18)	2044.80	+0.6	2032.56	2028.96	2021.96	1896.64	5.70	4.01	21.11	37.38
21 CONSUMER GROUP(234)	1628.03	+0.4	1620.88	1620.93	1633.37	1734.42	7.08	3.50	17.29	23.25
22 Brewers and Distillers(29)	1822.53	+0.3	1817.19	1800.90	1842.82	2234.06	8.87	4.02	13.69	30.03
25 Food Manufacturing(22)	1278.49	+0.9	1268.93	1274.08	1295.99	1294.15	7.65	3.86	15.78	22.09
26 Food Retailing(18)	2927.11	+1.3	2898.25	2881.30	2882.18	2878.65	8.69	3.52	14.69	36.84
27 Health & Household(29)	3603.92	+0.4	3591.25	3630.47	3624.48	4161.31	6.35	3.16	18.11	41.20
29 Hotels and Leisure(20)	1261.30	-0.3	1264.76	1259.07	1258.51	1423.76	6.57	4.60	19.33	25.51
30 Media(33)	1940.69	+0.5	1931.80	1916.17	1902.92	1672.76	5.13	2.63	24.09	23.43
31 Packaging and Paper(24)	838.20	+0.3	835.83	837.27	835.08	856.86	6.15	3.48	19.74	10.68
34 Stores(39)	1136.82	+0.2	1134.63	1136.86	1164.94	1124.67	6.51	3.16	19.81	16.55
35 Textiles(20)	796.89	-0.5	801.24	799.98	804.20	753.23	5.78	3.85	22.08	11.03
40 OTHER GROUPS(142)	1470.50	+0.4	1464.23	1462.57	1460.06	1355.00	7.84	4.31	15.48	18.19
41 Business Services(27)	1560.10	—	1560.00	1572.80	1583.27	1505.75	6.15	3.23	19.75	14.38
42 Chemicals(23)	1487.67	-0.5	1495.06	1498.45	1494.54	1589.61	6.04	4.86	20.92	28.89
43 Conglomerates(11)	1447.80	—	1447.75	1437.96	1437.55	1442.25	7.25	5.20	15.53	29.85
44 Transport(16)	2811.93	+0.6	2893.14	2858.87	2847.34	2788.86	6.21	3.90	19.85	42.52
45 Electricity(16)	1704.82	+0.2	1700.78	1702.65	1677.47	1323.09	12.72	4.26	10.11	29.90
46 Telephone Networks(4)	1723.59	+1.3	1701.89	1701.71	1716.04	1505.86	5.83	3.87	21.23	1.63
47 Water(13)	3325.12	+0.4	3311.69	3340.63	3328.36	2915.00	13.55	5.00	8.20	11.83
48 Miscellaneous(32)	2244.60	+0.4	2236.29	2224.18	2204.31	2140.17	7.59	4.53	15.87	42.81
49 INDUSTRIAL GROUP(589)	1428.03	+0.4	1422.12	1421.48	1425.11	1414.63	6.89	3.86	17.91	19.65
51 Oil & Gas(18)	2456.11	+0.3	2448.26	2469.27	2468.57	2126.10	5.68	4.48	22.33	48.01
59 "500" SHARE INDEX(607)	1519.11	+0.4	1512.98	1513.81	1517.19	1483.81	6.75	3.92	18.31	21.88
61 FINANCIAL GROUP(86)	1019.41	+0.3	1016.08	1017.76	1005.19	797.45	4.02	4.16	36.72	20.19
62 Banks(9)	1407.29	+0.7	1396.13	1408.97	1385.71	1010.32	4.94	3.84	27.50	28.48
65 Insurance (Life)(6)	1995.63	+0.6	1984.42	1992.80	1980.38	1590.86	4.80	4.47	26.31	47.49
66 Insurance (Composite)(7)	623.94	-0.3	625.70	627.03	629.53	558.43	‡	4.99	‡	15.60
67 Insurance Brokers(10)	793.74	—	793.62	788.37	776.70	996.81	7.18	4.59	18.70	14.24
68 Merchant Banks(6)	671.70	—	671.86	688.23	668.82	521.86	7.00	3.27	18.02	4.71
69 Property(28)	870.23	-0.5	874.31	853.47	825.61	729.56	5.16	4.60	26.05	13.96
70 Other Financial(23)	358.63	-0.2	359.22	361.77	361.65	271.22	6.53	4.63	19.90	4.17
71 Investment Trusts(109)	1465.66	-0.1	1466.76	1467.83	1465.85	1261.15	2.24	2.81	44.64	16.49
99 FT-A ALL-SHARE(804)	1397.91	+0.4	1392.63	1393.64	1393.51	1319.18	6.20	3.93	20.21	21.15

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2812.4	2805.8	2813.0	2809.9	2809.1	2809.5	2810.4	2811.4	2825.3	2825.6	2804.3
FT-SE Mid 250	3161.0	3160.8	3162.8	3164.8	3165.0	3165.4	3165.7	3165.2	3168.2	3168.5	3157.3
FT-SE-A 350	1405.3	1402.7	1405.7	1404.7	1404.4	1404.6	1405.0	1405.3	1411.0	1411.1	1402.1

Time of FT-SE 100 high: 16:01 ; low: 08:49

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Construction	[illegible]											
Health & Hh	[illegible]											
Water	[illegible]											
Banks	[illegible]											

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or –	1993 high	1993 low	Yield Int.
"Shorts" (Lives up to Five Years)						
Treas 12½pc 1993‡‡		101	—	103⅛	101	12.38
Funding 6pc 1993‡‡		100	—	100¼	99⅞	6.00
Treas 13¾pc 1993‡‡		103½xd	—	106⅛	103½	13.23
8¼pc 1994		101⅞	—	102½	101⅞	8.34
14½pc 1994‡‡		106½	—	109¼	106¼	13.62
Exch 13½pc 1994		106⅞	-⅛	109⅛	105⅞	12.63
Treas. 10pc Ln. 1994‡‡		104½xd	—	105½	104⅛	9.89
Exch 12½pc 1994		107½	—	110⅛	107½	11.61
Treas 9pc 1994‡‡		104	—	105½	103½	8.65
12pc 1995		108½	—	111½	108¼	11.02
Exch 3pc Gas 90-95		93⅝	—	93¾	94	3.14
10¼pc 1995		107⅝	—	109⅞	107⅛	9.52
Treas 12¾pc 1995‡‡		114	—	116⅞	113⅝	11.18
14pc 1996		117⅛	—	120⅝	117⅛	11.93
15¼pc 1996‡‡		121⅞	—	125⅝	121½	12.51
Exch 13¼pc 1996‡‡		116¾	—	120⅛	116½	11.35
Conversion 10pc 1996		109⅛	—	111⅞	108⅞	9.18
Treas 13¼pc 1997‡‡		119¼	+⅛	122⅛	118⅞	11.11
Exch 10½pc 1997		110½	—	113⅝	110⅛	9.47
Treas 8¾pc 1997‡‡		105⅝	—	108½	105½	8.28
Exch 15pc 1997		128⅛	—	132½	127½	11.71
9¾pc 1998		109½	—	112⅝	109¼	8.99

Continued on next page

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		18¼xd	+3/16	20 1/16	15 13/16	15,273	2.3
Allegheny & W	♥	580p	—	605p	393p	291.0	3.4
Amdahl		342p	+1	591p	302¾p	384.1	0.9
Amer Cyanamid		33⅞	+¼	38⅝	31¼	3,009	3.1
Amer Express		18⅜xd	-1/32	19½	14⅞	8,783	3.5
Amer T & T		39½xd	—	40⅞	33⅞	51,200	2.2
Ameritech		45⅞	-½	52¼	45	20,523	4.9
BankAmerica		28⅝xd	-⅛	38 1/16	27 13/16	9,978	3.1
Bankers NY		48 1/16xd	+3/16	51 1/16	42⅞	3,707	4.2
Bell Atlantic		34⅝	-⅝	39⅛	32¼	14,989	4.9
BellSouth		33⅞	-⅛	39⅞	32⅞	16,734	5.2
Bethlehem Steel	♥	12 11/16xd	—	13¾	10	1,149	-
Bowater		1409pxd	+5	1682p	1335p	910.8	1.8
CPC		28⅝xd	+3/16	34⅝	28	4,335	2.8
Cadiz Land Inc	♥	77½p	—	115p	53p	—	-
California Engy		1358p	—	1479p	1095p	247.2	-
Chase Manhattan		19¼xd	-3/16	24½	17⅞	2,985	4.0
Chrysler		27⅞xd	+⅛	28⅞	21¼	8,182	1.4
Citicorp		18xd	-3/16	20 1/16	13 7/16	6,579	-
Colgate-Palm		38⅝xd	—	45⅞	35¼	8,187	2.0
Cont'l Bank		1523p	-27	1877p	1278p	1,539	2.5
Dana		32xd	+11/32	34 7/16	29 13/16	1,469	3.2
Data General		668p	-22	851p	593p	184.3	-
Decora Inds	♥	138p	—	148p	109p	—	-
Dun & Brad		39½	-⅞	42⅞	37⅛	6,882	4.0

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

Europa Mnls	23	----	23	15	11.1	-
Glencar Expl IE ‡‡	12	----	12	6	2.22	-
Greenwich Res	20½	+1½	21	5	15.8	-
Hemlo Gold C$	£6⅝	+⅛	£6⅝	£3½	641.0	1.4
Ivernia West IE ‡‡□	61	+3	67	31	25.9	-
Kenmare	10¾	+¼	13½	6	10.3	-
Meflog Res	14½	----	25½	14	1.80	-
Navan Res IE	42	+1	42	25	5.63	-
5pc Ln Notes	41	----	41	25	6.97	-
Oryx Gold	62½	----	71	47	-	-
‡‡Ovoca Res IE	3½	----	3½	3½	0.24	-
RTZ □	645	+8	709	607	6,682	4.0
Vizcaya	5¾xd	----	5¾	2¾	3.08	-

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✲ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St, London W1A 3AS. 071-637 5377

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
S & W American	5	261.8	261.5	274.4	+1.3	0.71
S & W Capital	5	115.1	115.1	121.4	—	1.71
S & W Cash	0	100.76	100.76	100.76	+0.01	5.32
S & W European	5	108.5	108.6xd	115.8	+0.5	1.25
S & W Far Eastern	5	143.6	145.4	153.8	+1.7	0.00
S & W Growth	5	123.7	125.5	132.8	+0.8	1.38
S & W Income	5	111.0	112.2	118.7	—	4.57
S & W Magnum	5	121.7	121.7	130.6	−0.1	1.60
S & W Smllr Secs	5	311.9	318.4	338.9	+0.5	0.48
S & W Thoroughbred	5	140.6	140.6	151.1	—	1.63

For Societe Generale Touche Remnant see Henderson

Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Cash	1	49.68	49.68xd	50.18	+0.01	5.3
Cntrld Prinnce	5½	65.46	65.83	59.95	−0.03	6.0
Exotical	5½	52.03	53.08	56.46	+0.14	3.9
European Growth	5½	54.98	55.33	59.01	+0.33	3.0
Income	5½	51.12	51.80xd	55.03	−0.02	5.7
Intl Growth	5½	76.63	77.12xd	82.26	+0.39	3.0
Managed	5½	68.27	68.59	73.58	+0.15	3.6
UK Growth	5½	58.18	55.77	59.48	−0.05	4.8

Standard Life Tst Mngmt Ltd (0730)H
3 George St, Edinburgh EH2 2XZ 0800 393777

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Acc	6¼	42.89	42.89	45.58	+0.1	1.99
UK Equity Gth Acc	5¼	57.07	58.11	61.75	—	1.75
UK Eq High Inc Inc	5¼	34.36	34.36xd	36.51	—	3.95
UK Eq High Inc Acc	6¼	40.80	40.80	43.35	−0.1	3.95
UK Equity Gen Acc	5¼	52.72	53.60	57.06	−0.1	2.34
UK Equity Gen Inc	6¼	38.86	40.81	43.15	−0.1	2.34
UK Larger Cos Acc F	7½	359.3	364.2	385.2	−0.8	3.98
UK Larger Cos Inc F	7½	276.0	279.7	303.5	−0.7	3.98
Gilt & Fxd Int Inc	6¼	28.81	29.68xd	31.39	—	8.81
O'seas Lrg Cos Acc F	7½	285.0	289.5	292.5	+2.4	1.48
Nth American Acc	5¼	41.30	41.65	44.15	+0.1	0.80
Far East Acc	5¼	54.61	54.51	57.92	+0.8	0.15
European Acc	5¼	39.56	39.56	42.08	+0.2	1.23

State Street Unit Trust Mngmt Ltd (1400)F
20 Birchin Lane, London EC3V 9AD 071-626 1888

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global A	6¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Equities A0	6¼	[illegible]	3.589	3.817	—	1.20
Far East Equities A0	6¼	1242.4	2.056	2.184	—	0.80
Japan Equities A0	5¼	[illegible]	243.6	258.0	[illegible]	[illegible]

Robert Fleming Asset Mngmt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Am Exempt	£605.11	614.24	+1.18	1.84
Gen Exempt	£152.32	153.49	+0.31	3.63
Jap Exempt	£589.51	599.14	+11.48	0.92
Pacific Exempt	£152.05	155.74	+0.71	1.76
Conti Euro Exempt	£115.57	117.90	+0.42	2.25

Foreign & Colonial Unit Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Balanced Acc May 18	183.0	190.3	+0.7	3.61
Balanced Inc May 18	181.7	188.8	+0.7	3.51
Latin American Acc May 19	97.2	98.4	−1.5	1.43

Funds in Court*

	Bid Price	Offer Price	+ or -	Yield Gross
Capital May 14	549.78	554.50	—	3.72
Gross May 14	208.95	210.83xd	—	8.87
High Yield May 14	332.46	335.10	—	7.76

* Restricted to monies under Court control

Govett (John) Unit Mngmt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Exempt	108.21	110.45	+0.20	3.33

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Pensions Mngd	80.49	81.74xd	+0.18	2.76
Henderson TR				
Ex European May 20	1276	1285	—	2.71
Ex Nth Amer May 20	1388	1408	—	1.54
Ex Pac Basin May 20	922	938	—	1.48
Ex Smllr Cos Inc May 20	1997	2005	—	4.31
Ex Smllr Cos Acc May 20	2033	2148	—	4.31

INVESCO MIM Management Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Asia & Australasia	£3.0989	3.1870xd	—	—
Far Eastern	£2.1330	2.1080	—	—
Intl Mngd P'Folio (1000-1)	£1.4700	1.5050	—	—
Mngd Pens (Acc)	£0.8344	0.9088	—	—
North American	£2.4880	2.5120xd	—	—
Smaller Companies	£1.4059	1.4570xd	—	—
UK Core	£0.9873	1.0140xd	—	—

Lazard Brothers & Co. Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Property May 4	£1900.0	2100.0	—	7.00
Inc Gth Prp Feb 3	£1200.0	1460.0	—	6.90

Lazard Investors Ltd

[illegible]

INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

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Providence Capital Life Assc. Co Ltd - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Alpha Pension Funds				
UK Alpha		225.6	+0.2	-
US Alpha		118.8	+0.6	-
Gilt Alpha		84.9		-
Gold Alpha		80.4	-3.2	-
Japan Alpha		44.4	+0.3	-
US Dollar Alpha		74.6	+1.0	-
Yen Alpha		77.9	+0.9	-
DM Alpha		98.3	+0.3	-
European Alpha		83.1	+0.2	-

Provident Life Assoc Ltd

Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or -	Yield Gross
Gold Range (Pensions)				
Discretionary Fund		186.5	+0.3	-

Provident Mutual Life Assc. Assn.

6 Hills Way Stevenage Herts SG1 2ST 0438 738000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	410.6	432.2	+0.6	-
Managed Init	291.1	306.4	+0.4	-
Equity Ord	613.3	645.6	-0.1	-
Equity Init	434.7	457.6	-0.2	-
Index Linked Gilt Ord	192.9	203.1	—	-
Index Linked Gilt Init	142.8	150.3	-0.1	-
Overseas Equity Ord	329.5	346.8	+2.2	-
Overseas Equity Init	233.6	245.9	+1.6	-
Property Ord	225.3	237.2	+0.1	-
Property Init	159.7	168.1	+0.1	-
Fixed Interest Ord	257.1	270.6	-0.2	-
Fixed Interest Init	182.2	191.8	-0.2	-
Deposit Ord	198.2	208.6	+0.1	-
Deposit Init	139.0	146.3	—	-
Pension Funds				
Managed Ord	540.8	569.3	+1	-
Managed Init	383.3	403.5	+0.6	-
Equity Ord	834.0	877.9	-0.3	-
Equity Init	591.1	622.2	-0.4	-
Pen Ind Lkd Gilt Ord	219.6	231.2		-
Pen Ind Lkd Gilt Init	162.6	171.1	-0.1	-
Overseas Equity Ord	382.5	402.6	+2.8	-
Overseas Equity Init	271.1	285.4	+1.9	-
Property Ord	287.5	302.6	+0.2	-
Property Init	203.8	214.5	+0.1	-
Fixed Interest Ord	333.9	351.5	-0.2	-
Fixed Interest Init	236.7	249.2	-0.2	-
Deposit Ord	286.9	302.0	+0.2	-

Scottish Amicable

150 St Vincent St, Glasgow 041-248 2323

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds (First Series)				
Managed	400.1	421.2	+2.50	-
Equity	501.6	528.0	+2.80	-
Property	239.4	252.0	—	-
International	392.0	412.7	+3.70	-
Japanese	113.1	119.1	+0.90	-
Asia Pacific	139.1	146.5	+2.90	-
European	105.9	111.5	+0.60	-
American	137.9	145.2	+1.10	-
Fixed Interest	333.5	351.1	+0.30	-
Index-Linked Gilt	184.4	194.2	+0.60	-
Cash	219.6	231.1	—	-
Life Funds (Second Series)				
Managed	111.3	117.2	+0.70	-
Equity	107.8	113.5	+0.60	-
Property	100.6	105.9	—	-
International	121.1	127.5	+1.10	-
Japanese	113.3	119.3	+0.90	-
Asia Pacific	136.4	143.6	+2.80	-
European	105.0	110.6	+0.70	-
American	134.8	141.9	+1.10	-
Fixed Interest	125.4	132.0	+0.10	-
Index-Linked Gilt	117.8	124.1	+0.30	-
Cash	108.6	114.0	—	-
Pension Funds				
Building Society	172.9	182.0	—	-
Managed (Init)	231.7	243.9	+1.90	-
Managed (Acc)	457.2	481.3	+3.70	-
Equity (Init)	261.8	275.6	+1.90	-
Equity (Acc)	516.7	543.9	+3.80	-
Property (Init)	143.0	150.6	-0.10	-
Property (Acc)	282.4	297.3	—	-
International (Init)	232.3	244.6	+2.70	-
International (Acc)	458.5	482.7	+5.40	-
Fixed Interest (Init)	222.3	234.0	—	-
Fixed Interest (Acc)	438.6	461.7	—	-
Cash (Init)	154.1	162.3	—	-
Cash (Acc)	304.2	320.3	—	-
Others				
Capital Guarantee Bond	98.5	103.7	+0.70	-

Scottish Equitable Life Assce. Soc.

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

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FT MANAGED FUNDS SERVICE

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	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Prudential Fund Managers (Jersey) Ltd						
PO Box 103, St Helier, Jersey				0534 70009		
Prudential Currency Fd (Formerly Vantaugh Currency Fd)						
Income (A & B)	5	210.9	210.9	221.3	+1.2	4.19
Growth (C & D)	5	311.1	311.1	326.5	+1.7	6
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey				0534 27441		
Govt Secs Fd	4	56.40	56.40	58.72	+0.05	8.85
Standard Bank Fund Mngmt (Jersey) Ltd						
PO Box 583, St Helier, Jersey CI				0534 67557		
International Bond	5	$-	15.72	16.64		
Sterling Bond	3	£-	9.798	10.14	-0.08	4.82
Sterling Cap		£-	42.38	42.40	+0.02	7.88 / 5.73
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey						
TSB Offshore Investment Fund Ltd				0534 73494		
Stg Deposit Class	3	102.00	102.00	105.08	+0.05	5.00
Gilt & Fixed Interest	3	116.42	116.42	120.05	+0.01	7.67
Blue Chip & Gilt Edged	5	88.29	88.93	93.00		3.61
International Bond	5	132.66	132.66	139.50	+0.59	5.08
UK Equity	5	246.83	253.71	267.07	+0.81	1.30
International Equity	5	173.01	175.39	184.62	+1.43	0.37
Far Eastern	5	160.02	163.05	171.64	+2.52	0.00
European	5	121.40	122.25	128.68	-1.57	0.00
Pan American	5	330.67	334.34	351.94	+2.19	0.00
TSB Gilt Fund Ltd						
Quarterly Share	3	105.06	105.06	108.48	-0.05	7.74
Monthly Share	3	103.66	103.66	107.08	-0.05	7.85

JERSEY (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
Barclays Intl Funds				
Asian Selection Funds				
China	$9.577	10.081	+0.013	0.0
Hong Kong	$30.714	32.329	-0.079	0.4
Indonesia	$9.562	10.097	+0.008	0.0
Korea	$11.136	11.722	-0.131	0.0
Malaysia	$18.758	19.743	-0.098	0.0
Philippines	$17.385	18.279	-0.284	0.0
Singapore	$12.753	13.424	-0.142	0.0
Thailand	$19.688	20.724	-0.253	0.0
South East Asia	$25.475	26.816	-0.021	0.0

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Banque Scandinave a Luxembourg SA - Contd.						
Scandiland International Class						
Intl Emerging Markets	5	$-	1.05	1.11		-
Barclays Diversified Portfolio						
14 rue Aldringen L-1118				352 4799 2939		
IPB Deutschmark Reserve		DM-	31.38	-	-	-
IPB Sterling Reserve		£-	10.22	-	-	-
IPB Swiss Franc Reserve		SFr-	30.47	-	-	-
IPB US Dollar Reserve		$-	20.21	-	-	-
IPB European Bond		Ecu-	17.30	-	-	-
IPB North American Bond		$-	21.04	-	-	-
IPB Espana		Pta-	2754	-	-	-
IPB Europa		Ecu-	17.42	-	-	-
IPB Pacific Rim		$-	27.14	-	-	-
IPB United Kingdom		£-	22.94	-	-	-
IPB United States		$-	21.44	-	-	-
Barclays Inv Funds (Luxembourg)						
41 Avenue de la Gare L-1611				010 352 404344		
Equity Funds						
European Equity	5¼	£-	0.895	0.952	+0.007	0.3
Intl Equity	5¼	$-	1.409	1.499	+0.002	0.5
North Am Eqty	5¼	$-	34.09	36.23	-0.20	0.5
Pacific Eq	4¾	£-	8.364	8.787	+0.147	0.5
UK Equity	5¼	£-	1.088	1.158	-	2.8
Bond Fund						
International Bond	3½	$-	97.82	102.88	-0.48	5.5
CMI Asset Management (Luxembourg) SA						
208 route d'Arlon, L-1150 Lux				010 352 458825		
CMI Managed Portfolio Investment Company (u)						
Safeguard Portfolio F		£-	1.229	1.309	+0.006	-
Growth Portfolio F		£-	1.111	1.183	+0.011	-
Enterprise Portfolio F		£-	1.068	1.137	+0.013	-
CMI Global Network Fund (u)						
Australasian Equity		A$-	12.595		-0.218	-
Benelux Equity		DFl-	20.935		-0.049	-
Canadian Equity		C$-	10.018		+0.007	-
SE Asia Equity		$-	13.481		+0.086	0.05
French Equity		FFr-	57.850		-0.192	0.94
German Equity		DM-	17.856		-0.044	-
Iberian Equity		Pta-	747		+1	0.01
Irish Equity		I£-	4.320		+0.001	-
Italian Equity		L-	8074		+9	-
Japanese Equity		Y-	1370		-15	-
Nordic Equity		SKr-	45.294		+0.031	-
Swiss Equity		SFr-	20.287		+0.048	-

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

FOREIGN EXCHANGES

Dollar up on rate speculation

SPECULATION about a tightening in US interest rates pushed up the dollar against a D-Mark weakened by increasing signs of economic slowdown in Germany, *writes Peter Marsh.*

The French franc traded comfortably, in spite of a further cut in French interest rates which promises to head off the possibility of a further faltering in economic activity.

Sterling gained against the D-Mark but lost ground against a dollar strengthened by a newspaper report that the US Federal Reserve might soon raise interest rates to damp inflationary pressures.

Meanwhile the D-Mark continued to sag, as investors weighed up the possibility of a deep recession in the German economy this year.

In spite of the Bundesbank sounding the usual messages that it will think long and hard before cutting interest rates further, many in financial markets think a steady easing in borrowing conditions in Germany is assured in the coming months.

The dollar climbed nearly 1 pfennig on the day against the German currency, closing in London at DM1.6365. Investors took profits after the US currency climbed during European trading to just under DM1.64.

Hitting the headlines in a quiet day's trading was the decision by the French government to cut the Bank of France's intervention rate to 7.5 per cent from 7.75 per cent. The French franc traded at FFr3.3665 per D-Mark after the news, from FFr3.3661 earlier. It closed at 3.365, little changed on the day.

Sentiment about the outlook for the D-Mark was helped somewhat by tough comments from Mr Theo Waigel, the German finance minister, about the government taking "decisive action" next year to cut its mounting budget deficit. However, that failed to prevent the yen hitting another new high against the German currency. It closed at Y67.37 per D-Mark, compared to Y67.90 on Friday night.

The guilder also hit a five year peak against the D-Mark, being quoted in London last night at NFl 1.119 per D-Mark. There was strong speculation that the Dutch monetary authorities might soon decide on a further bout of interest rate easing.

After the pound's 4 pfennig rise against the Germany currency last week, it continued its rise yesterday, closing in London at DM2.5125, up half a pfennig. Against the dollar sterling closed in European hours at $1.5350, just over half a cent down on the day.

Foreign exchange dealers took little notice of a European Community report over the weekend approving the idea of new checks to stop a repeat of last year's currency crisis. However, the absence of significant strains in the European exchange rate mechanism pushed the escudo slightly firmer at the top of the grid. It closed at Es94.60 per D-Mark versus Es94.70 at the close on Friday.

£ IN NEW YORK

May 24	Latest	Previous Close
£ Spot	1.5345 - 1.5355	1.5425 1.5435
1 month	0.39-0.37pm	0.39 0.38pm
3 months	1.03-1.00pm	1.09 1.07pm
12 months	3.40-3.30pm	3.73 3.63

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May.24	Previous
8.30 am	80.6	81.1
9.00 am	80.6	81.1
10.00 am	80.6	81.1
11.00 am	80.5	81.0
Noon	80.5	81.1
1.00 pm	80.5	81.1
2.00 pm	80.5	81.0
3.00 pm	80.5	81.0
4.00 pm	80.6	80.6

CURRENCY RATES

May 24	Bank & rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.909425	0.780583
U.S Dollar	3.00	1.41170	1.19448
Canadian $	5.40	1.78792	1.51039
Austrian Sch	6.75	16.1400	13.7816
Belgian Franc	6.50	N/A	40.2592
Danish Krone	8.25	8.77160	7.49880
D-Mark	7.25	2.29359	1.95891
Dutch Guilder	6.50	2.56774	2.19350
French Franc	10	N/A	6.59459
Italian Lira	11.00	2079.63	1778.80
Japanese Yen	2.50	155.993	132.238
Norway Krone	-	9.66450	8.26863
Spanish Peseta	-	174.670	149.319
Swedish Krona	11.50	10.3619	8.73864
Swiss Franc	5.00	10.3619	1.76362
Greek Drach	19	N/A	265.122
Irish Punt	-	N/A	0.801213

& Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland.
† European Commission Calculations.
* All SDR rates are for May 21

CURRENCY MOVEMENTS

May 24	Bank of England Index	Morgan ** Guaranty Changes %
Sterling	80.6	-29.20
U.S Dollar	64.4	-13.70
Canadian Dollar	95.0	-7.32
Austrian Schilling	113.5	+15.67
Belgian Franc	114.8	+1.10
Danish Krone	117.1	+11.26
D-Mark	123.1	+30.31
Swiss Franc	110.8	+18.92
Dutch Guilder	118.6	+20.49
French Franc	109.1	-7.00
Lira	82.9	-32.48*
Yen	172.1	+112.06
Peseta	91.3	-30.25

Morgan Guaranty changes: average 1980-1982=100. Bank of England (Base Average 1985=100) **Rates are for May 21

OTHER CURRENCIES

May 24	£	$
Argentina	1.5295 - 1.5325	0.9990 - 1.0000
Australia	2.2120 - 2.2140	1.4485 - 1.4495
Brazil	60040.6 - 60080.1	39185.9 - 39188.1
Finland	8.4280 - 8.4775	5.5175 - 5.5375
Greece	336.300 - 342.950	219.100 - 220.350
Kuwait	0.46150 - 0.46250	0.30120 - 0.30170
Luxembourg	51.60 - 51.70	33.60 - 33.70
Malaysia	3.9255 - 3.9360	2.5655 - 2.5665
Mexico	4.7795 - 4.7830	3.1220 - 3.1240
N.Zealand	2.8155 - 2.8195	1.8390 - 1.8415
Saudi Ar	5.7385 - 5.7480	3.7496 - 3.7505
Singapore	2.4715 - 2.4780	1.6145 - 1.6155
S.Af (Cm)	4.8915 - 4.9025	3.1960 - 3.1975
S.Af (Fn)	7.0960 - 7.1115	4.6350 - 4.6450
Taiwan	39.55 - 39.70	25.85 - 25.95
U.A.E.	5.6170 - 5.6300	3.6715 - 3.6735

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu May 24	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	192.854	185.559	-3.78	4.82	63
Spanish Peseta	154.250	149.319	-3.20	4.18	58
Irish Punt	0.808628	0.801218	-0.92	1.79	46
Dutch Guilder	2.19672	2.19350	-0.15	1.00	12
Belgian Franc	40.2123	40.2592	0.12	0.74	-1
D-Mark	1.94964	1.95891	0.48	0.38	-26
Danish Krone	7.43679	7.49880	0.83	0.02	-34
French Franc	6.53883	6.59459	0.85	0.00	-42

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

May 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5290 - 1.5375	1.5345 - 1.5355	0.39-0.37cpm	2.97	1.03-1.00pm	2.64
Canada	1.9335 - 1.9525	1.9385 - 1.9395	0.28-0.20cpm	1.49	0.58-0.42pm	1.01
Netherlands	2.8020 - 2.8175	2.8075 - 2.8175	¼-½cdis	-1.60	⅝-⅞dis	-1.07
Belgium	51.25 - 51.70	51.60 - 51.70	3-8cdis	-1.28	14-18dis	-1.24
Denmark	9.5770 - 9.6175	9.6075 - 9.6175	1⅞-3⅛oredis	-2.81	4⅞-7⅛dis	-2.50
Ireland	1.0245 - 1.0290	1.0280 - 1.0290	0.13-0.16cdis	-1.69	0.31-0.36dis	-1.30
Germany	2.5060 - 2.5185	2.5100 - 2.5150	⅜-½pfdis	-2.09	⅞-1⅛dis	-1.59
Portugal	238.55 - 239.00	238.00 - 239.00	152-163cdis	-7.92	427-453dis	-7.38
Spain	190.40 - 191.60	191.20 - 191.50	99-111cdis	-6.58	244-271dis	-5.38
Italy	2275.00 - 2286.30	2279.00 - 2280.00	9-11liredis	-5.26	25-27dis	-4.56
Norway	10.5580 - 10.6125	10.6025 - 10.6125	¼-2¼oredis	-1.63	2¾-4⅛dis	-1.30
France	8.4280 - 8.4695	8.4525 - 8.4625	1⅜-1¾cdis	-2.22	3⅛-3⅝dis	-1.60
Sweden	11.1970 - 11.2540	11.2000 - 11.2100	2-3½oredis	-2.95	6⅛-7½dis	-2.43
Japan	168.75 - 170.50	168.75 - 169.75	½-⅜ypm	3.10	1⅛-1pm	2.51
Austria	17.58 - 17.70	17.67 - 17.70	1¼-2¼grodis	-1.19	4⅛-5dis	-1.15
Switzerland	2.2525 - 2.2680	2.2525 - 2.2625	¼cpm-par	0.66	½-¼pm	0.66
Ecu	1.2780 - 1.2825	1.2810 - 1.2820	0.22-0.26cdis	-2.25	0.49-0.55dis	-1.62

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.94-1.89pm. 12 Month 3.45-3.35pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

May 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5290 - 1.5375	1.5345 - 1.5355	0.39-0.37cpm	2.97	1.03-1.00pm	2.64
Ireland†	1.4870 - 1.5025	1.4940 - 1.4950	0.63-0.60cpm	4.94	1.57-1.52pm	4.14
Canada	1.2600 - 1.2660	1.2615 - 1.2625	0.14-0.17cdis	-1.47	0.49-0.55dis	-1.65
Netherlands	1.8245 - 1.8395	1.8310 - 1.8320	0.67-0.70cdis	-4.49	1.70-1.75dis	-3.77
Belgium	33.55 - 33.75	33.60 - 33.70	12.00-13.00cdis	-4.46	31.00-34.00dis	-3.86
Denmark	6.2370 - 6.2840	6.2600 - 6.2650	3.00-3.60oredis	-6.32	7.60-8.70dis	-5.17
Germany	1.6255 - 1.6430	1.6360 - 1.6370	0.70-0.71pfdis	-5.17	1.73-1.75dis	-4.25
Portugal	154.90 - 155.40	154.90 - 155.00	152-157cdis	-11.97	393-408dis	-10.34
Spain	124.50 - 125.25	124.60 - 124.70	99-104cdis	-9.77	250-260dis	-8.18
Italy	1481.50 - 1490.00	1484.75 - 1485.25	9.50-10.20liredis	-7.96	26.30-27.60dis	-7.26
Norway	6.8760 - 6.9345	6.9075 - 6.9125	2.35-2.80oredis	-4.58	6.30-7.30dis	-3.94
France	5.4780 - 5.5300	5.5075 - 5.5125	2.36-2.46cdis	-5.25	5.75-5.95dis	-4.25
Sweden	7.2775 - 7.3425	7.2975 - 7.3025	3.45-4.05oredis	-6.16	9.00-10.00dis	-5.21
Japan	110.20 - 110.80	110.25 - 110.35	0.01-0.02ydis	-0.16	par-0.01dis	-0.02
Austria	11.4830 - 11.5475	11.5050 - 11.5100	4.15-4.45grodis	-4.48	10.55-11.35dis	-3.81
Switzerland	1.4680 - 1.4790	1.4705 - 1.4715	0.28-0.30cdis	-2.28	0.71-0.75dis	-1.99
Ecu†	1.1930 - 1.2005	1.1975 - 1.1985	0.52-0.51cpm	5.16	1.28-1.26pm	4.24

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

May 24	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	5½ - 5⅜	5⅝ - 5½	5¹³⁄₁₆ - 5¹¹⁄₁₆	6 - 5⅞	6 - 5⅞	6¼ - 6⅛
US Dollar	3⅞ - 3⅝	3⅛ - 3	3⅛ - 3⅛	3⅜ - 3¼	3⁷⁄₁₆ - 3⁵⁄₁₆	3¹³⁄₁₆ - 3¹¹⁄₁₆
Can. Dollar	4⅝ - 4⅜	4½ - 4¼	4¾ - 4½	5⅛ - 4⅞	5⅜ - 5⅛	6⅛ - 5⅞
Dutch Guilder	7¼ - 7⅛	7⅜ - 7¼	7¼ - 7⅛	6¹³⁄₁₆ - 6¹¹⁄₁₆	6⅞ - 6⅝	6⅜ - 6¼
Swiss Franc	5⅞ - 5⅝	5⅝ - 5⅜	5⅜ - 5⅛	5⅝ - 5⅜	5 - 4⅞	4¹³⁄₁₆ - 4¹¹⁄₁₆
D-Mark	8 - 7⅞	7¹³⁄₁₆ - 7¹¹⁄₁₆	7¾ - 7⅝	7⅜ - 7¼	7⅜ - 7⅛	6¾ - 6⅝

MONEY MARKETS

Lower French rates

THE Bank of France set the tone for lower interest rates throughout Europe by shaving a quarter point off its intervention rate, *writes Peter Marsh.*

The French authorities' freedom for manoeuvre was helped by the continuing weakness of the D-Mark which gave further signs of losing its role as the key currency within the European exchange rate mechanism.

UK clearing bank base lending rate 6 per cent from January 26, 1993

At the close of trading last night in Europe three-month interest rates in four countries – the Netherlands, Belgium, France and Ireland – were below the corresponding figure in Germany.

This unusual state of affairs highlights how some countries are finding they can institute easier borrowing conditions, without necessarily having to wait for the Bundesbank to pave the way.

The Bank of France cut its intervention rate to 7.5 per cent from 7.75 per cent at a securities repurchase tender held yesterday.

In Belgium, the central bank took similar action, cutting its seven-day advances rate by 10 basis points to 7.2 per cent following the cut announced last Wednesday in its central rate, also by 10 basis points to 7.2 per cent.

Signs that lower interest rates across Europe will become increasingly necessary during the rest of the year were underlined by a gloomy statement from Mr Philippe Maystadt, Belgium's finance minister, warning of "negative growth" for the European Community.

With German three-money money being quoted at 7.5 per cent, the equivalent rate in the Netherlands last night was 6.93 per cent. In Belgium, France and Ireland, the corresponding interest rates were 7.12 per cent, 7.31 per cent and 7.44 per cent.

The monetary authorities' room to reduce borrowing rates in these countries is directly linked to yet more signs of D-Mark fragility. The German currency, third from the bottom in the ERM grid, has a divergence indicator of minus 23 per cent against its central Ecu rate, compared with plus seven per cent two weeks ago.

In Britain, the Bank of England provided the money market with £950m of early assistance after forecasting a liquidity shortage of around £1.25bn. The Bank bought £950m of bills for resale to the market. Later on, the Bank took total assistance for the day to £1.4bn.

FINANCIAL FUTURES AND OPTIONS

Strike	June	September	December	June	September	December
116	1.14	-	-	0.02	0.61	-
117	0.25	0.90	-	0.11	1.03	-
118	0.01	0.49	-	0.86	1.54	-
119	-	0.24	0.41	-	-	-
120	-	0.10	0.24	-	-	-
Open Int	141,038	100,210	22,407	155,480	90,721	13,117

Estimated volume 41,243 † Total Open Interest 546,828
† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
Citibank NA	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

CROSSWORD

No.8,159 Set by FETTLER

ACROSS

1 I leave doctor's charge – that's quite clear (6)
4 War mounts, with attacks overcoming resistance (8)
9 Standard period of time for high birth (6)
10 After a note, to telegraph is not unfriendly (8)
11 With rain about, is the grape dried for the table? (6)
12 Wine case for 14 (holding English litre) (8)
13 Preclude a good deal lacking profit (3)
14 Cartel operating in Bordeaux (6)
17 One of the flock, knitting wee woolly jumper (3-4)
21 Commission a sovereign currency (6)
25 What's local in Pinner? (3)
26 Perverting German id leads to vivid imagining (8)
27 British tribesman's armlet (6)
28 Watch! I'll do it again (8)
29 Worry audibly about right part of sentence (6)
30 Naval college (non-U) produces a flier (4-4)
31 Good health needed for what MPs do (6)

DOWN

1 There's little account in disturbing kipper-smoker's rest (4-4)
2 A period in a long final (8)
3 Flimsy gown, rent in leg? Gosh! (8)
5 Here's hock for each picnic basket (6)
6 Remember to phone back again (6)
7 Our railways seem to be decrepit – often said to be dying (6)
8 See sugar pig squeal in sty (6)
12 Designating a vocation (7)
15 Backing anything, even a pair (3)
16 Uncle Melvin shows his old relationship (3)
18 Shattered, Herbert takes a rest (8)
19 Criminal methods affording means of access (8)
20 A partisan stampeded neatherd (8)
22 Loved tot in tangle? To the contrary (6)
23 A young bird, one that's curious (6)
24 Preserve them with myrrh for example (6)
25 Put in Strine perhaps (6)

Solution to Puzzle No.8,158

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · FRANCE (continued) · GERMANY · GERMANY (continued) · ITALY · NETHERLANDS · NETHERLANDS (continued) · NORWAY · SPAIN · SWEDEN · SWEDEN (continued) · SWITZERLAND · SOUTH AFRICA · JAPAN · AUSTRALIA · AUSTRALIA (continued) · HONG KONG · MALAYSIA · SINGAPORE

[illegible]

CANADA

TORONTO

4 pm close May 21

Quotations in cents unless marked $

[illegible]

Total Sales 27,849,322 shares

MONTREAL

4 pm close May 21

[illegible]

INDICES

NEW YORK

DOW JONES	May 21	May 20	May 19	May 18	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3492.83	3523.28	3500.03	3444.39	3523.28 (20/5)	3241.95 (20/1)	3523.28 (20/5/93)	41.22 (2/7/32)
Home Bonds	107.34	107.40	107.28	107.24	107.97 (7/5)	103.49 (11/1)	501.97 (27/4/93)	54.99 (1/10/81)
Transport	1585.00	1596.97	1529.62	1560.00	1683.08 (16/4)	1453.84 (4/1)	1683.08 (16/4/93)	12.32 (8/7/32)
Utilities	233.91	235.60	235.73	232.85	247.68 (16/4)	217.14 (8/1)	247.68 (16/4/93)	10.50 (8/4/32)

DJ Indl. Day's High 3532.98 (3539.88) Low 3468.47 (3475.39) (Theoretical)
Day's High 3524.11 (3523.28) Low 3477.05 (3494.77) (Actual)

STANDARD AND POOR'S

	May 21	May 20	May 19	May 18	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	445.84	450.59	447.57	440.32	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials	516.39	521.75	517.92	509.85	524.89 (10/3)	498.48 (26/4)	524.89 (10/3/93)	3.62 (21/6/32)
Financial	42.21	42.87	42.65	41.71	46.57 (13/4)	39.89 (8/1)	46.57 (13/4/93)	8.64 (1/10/74)
NYSE Composite	246.27	248.42	246.86	243.53	251.36 (10/3)	238.21 (8/1)	251.36 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	432.86	432.29	429.92	428.22	432.86 (21/5)	395.84 (8/1)	432.86 (21/5/93)	29.31 (9/12/72)
NASDAQ Composite	694.29	697.43	690.43	680.78	708.85 (4/2)	645.87 (26/4)	708.85 (4/2/93)	54.87 (31/10/72)

	May 14	May 7	Apr 30	year ago (approx.)
Dow Industrial Div. Yield	2.97	3.04	3.04	2.79

	May 19	May 12	May 5	year ago (approx.)
S & P Industrial div. yield	2.49	2.52	2.52	2.61
S & P Indl. P/E ratio	26.80	26.25	26.22	29.28

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Wal-Mart Stores	4,965,700	27⅝	- ⅞
Pepsico	3,532,900	37	- ¾
Amer T & T	3,660,900	59¼	- ¾
Humana	3,114,600	11⅝	+ ½
Navistar Intl	2,974,500	2⅞	+ ⅛
Unisys Corp	2,793,400	11⅜	- ½
Merck	2,630,600	38⅛	- 1
Philip Morris	2,568,600	50	- ⅝
Coca Cola	2,562,600	41	- 1⅛
Citicorp	2,525,000	27¼	- 1

TRADING ACTIVITY

† Volume Millions	May 21	May 20	May 19
New York SE	256.112	269.857	336.450
Amex	19.954	19.817	24.735
NASDAQ	(u)	343.230	318.309
NYSE			
Issues Traded	2,526	2,521	2,535
Rises	790	1,143	1,194
Falls	1,139	773	763
Unchanged	597	605	578
New Highs	57	85	90
New Lows	9	16	27

CANADA

TORONTO	May 21	May 20	May 19	May 18	1993 HIGH	1993 LOW
Metals & Minerals	2880.75	2900.84	2882.38	2885.11	2972.35 (9/2)	2743.31 (21/1)
Composite	3836.00	3831.80	3811.30	3826.90	3838.00 (21/5)	3275.80 (21/1)
MONTREAL Portfolio	1896.84	1901.12	1885.80	1892.19	1901.12 (20/5)	1720.97 (21/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's) ♥ Subject to official recalculation.

	May 24	May 21	May 20	May 19	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1685.5	1695.6	1684.2	1682.6	1710.10 (28/4)	1495.00 (13/1)
All Mining (1/1/80)	747.9	749.6	745.0	743.0	749.60 (21/5)	594.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	329.32	332.20	(c)	332.13	357.78 (8/3)	300.36 (14/1)
Traded Index (2/1/91)	791.69	800.34	(c)	798.88	860.17 (3/3)	712.06 (15/1)
BELGIUM						
BEL20 (1/1/91)	1204.65	(c)	(c)	1213.21	1268.11 (7/4)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	302.74	303.65	(c)	303.89	305.06 (14/5)	281.90 (4/1)
FINLAND						
HEX General (28/12/90)	1246.7	1248.2	(c)	1217.2	1248.20 (21/5)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	505.34	(c)	(c)	508.52	547.37 (30/3)	471.24 (13/1)
CAC 40 (31/12/87)	1861.37	(c)	(c)	1836.78	2035.91 (30/3)	1772.21 (28/1)
GERMANY						
FAZ Aktien (31/12/58)	635.26	635.79	(c)	638.78	675.70 (10/3)	588.92 (14/1)
Commerzbank (1/12/53)	1801.1	1802.1	(c)	1810.6	1908.10 (10/3)	1664.30 (14/1)
DAX (30/12/87)	1603.09	1610.59	(c)	1617.41	1717.40 (11/3)	1516.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	7276.39	7169.86	7118.86	7083.68	7276.39 (24/5)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1524.56	1535.64	1528.85	1524.41	1591.74 (16/4)	1101.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	557.24	558.45	558.17	558.49	559.17 (20/5)	446.33 (8/1)
MIB General (4/1/93)	1230.0	1233.0	1236.0	1233.0	1236.00 (20/5)	882.80 (11/1)
JAPAN						
Nikkei (16/5/49)	20476.16	20557.47	20330.39	20380.79	21054.71 (10/5)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1610.68	1613.12	1594.33	1597.96	1638.05 (10/5)	1250.06 (25/1)
2nd Section (4/1/68)	2291.72	2279.78	2266.37	2274.09	2307.28 (17/5)	1651.72 (28/1)
MALAYSIA						
KLSE Composite (4/4/86)	724.46	729.35	735.11	728.43	735.11 (20/5)	614.28 (13/1)
NETHERLANDS						
CBS TtlRtn Gen.(End 1983)	330.1	328.7	(c)	326.8	333.40 (13/5)	285.70 (4/1)
CBS All Shr (End 1983)	217.0	216.0	(c)	214.6	223.50 (19/4)	198.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	802.01	808.78	(c)	808.88	827.94 (6/5)	669.83 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	1577.71	1572.10	1575.72	1574.36	1654.39 (5/5)	1270.68 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	460.73	462.46	463.92	462.73	463.92 (20/5)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1885.0♥	1794.0	(c)	1817.0	1885.00 (24/5)	775.00 (5/1)
JSE Industrial (28/9/78)	4526.0♥	4511.0	(c)	4494.0	4645.00 (10/2)	4333.00 (19/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	733.91	727.90	727.37	724.76	737.59 (22/4)	605.93 (6/3)
SPAIN						
Madrid SE (30/12/85)	256.87	256.33	255.41	255.19	256.89 (18/5)	215.60 (4/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1087.4	1092.7	(c)	1076.5	1092.70 (21/5)	878.10 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	988.7	995.9	(c)	984.0	996.70 (24/5)	904.80 (11/1)
SBC General (1/4/87)	761.8	760.2	(c)	759.7	761.80 (24/5)	678.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	4258.92	4300.25	4345.63	4446.54	5013.28 (7/4)	3088.43 (8/1)
THAILAND						
Bangkok SET (30/4/75)	841.23	858.37	865.61	873.52	998.44 (25/1)	828.10 (4/5)
WORLD						
M.S. Capital Intl.(1/1/70) $	559.9*	561.1	561.2	559.8	565.20 (5/5)	488.88 (13/1)
Euro Top-100 (26/6/90)	971.63	968.54	968.86	966.03	971.63 (24/5)	862.73 (13/1)

**Saturday May 22: Taiwan Weighted Price, 4,285.43, Korea Comp Ex. 733.34.
♥ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Monday, May 24, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsubishi Hvy	11.0m	735	+1	Mitsui Eng & Shp	4.8m	477	+2
Hitachi Zosen	10.2m	609	+6	Nisshin Steel	4.6m	473	+8
Mitsui Min & Sm	8.7m	563	+19	NKK	4.5m	338	-1
Sumitomo Mt Mn	5.8m	1,130	+10	Isetan	4.1m	1,880	-50
Nippon Steel	5.7m	399	-9	Ricoh	3.9m	742	+2

4 pm close May 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
14⅝	11½	AAR Corp	0.48	3.6	25	219	14	13½	13½	-½
27¼	20	A L Labs A	0.18	0.7	47	638	u27¼	26¾	27	-¼
69½	54⅝	AMP Inc	1.60	2.6	22	856	61⅞	61⅛	61⅝	+⅛
72⅝	55½	AMR			11	3554	72⅝	71½	71⅞	+¼
2¼	1¾	ARX			13	30	2⅛	2⅛	2⅛	+⅛
51½	29⅞	ASA	2.00	4.1	32	1607	50¼	48⅝	48⅝	-1⅜
30¾	22⅝	Abbott Lab	0.68	2.4	18	6826	28½	27⅞	28¼	+¼
12⅝	10¼	Abitibi Pr	0.50	4.2	4	3	12	12	12	
11¾	10¾	ACM Gvt In	0.96	8.2		283	u11¾	11⅝	11¾	
9¾	9⅛	ACM GvOpp	0.80	8.4		77	9½	9⅜	9½	+⅛
9⅝	8¾	ACM Gvt Sp	0.80	8.4		176	u9⅝	9½	9½	
11⅜	10½	ACM Gvt Se	0.96	8.7		887	11⅛	11	11	-⅛
11	9⅝	ACM Mun	1.08	9.8		123	u11	10⅞	11	
9⅜	8⅝	ACM Managd	0.72	8.0		312	9⅛	9	9	
10⅝	7¾	Acme Cleve	0.40	3.8	13	93	u10⅝	10⅜	10⅝	+¼
9¼	6½	Acme Elect			223	54	7¼	6⅞	6⅞	-⅜
16	12	Acuson			13	537	12½	12⅛	12⅛	-½
22¼	19⅝	Adams Expr x	0.48	2.3	1	69	21⅛	20⅞	20⅞	-¼
66	45½	Ad Micro	3.00	5.0		37	60½	59¾	59¾	-¼
32¾	17⅝	Ad Micro P	3.00	10.3	12	2175	29¼	28¾	29⅛	+⅜
7¾	5½	Advest Grp	0.16	2.7	10	51	6	5⅞	6	
24¾	20¾	Advo Inc	0.06	0.3	22	125	21⅛	d20¾	21⅛	+⅛
49⅜	41⅛	Aegon ADR	2.95	6.5	8	52	45½	44⅞	45⅜	+⅛
54⅞	49⅜	Aetna Lf	2.76	5.2	136	1566	53⅝	53	53¾	+⅛
[illegible]										

Continued on next page

4 pm close May 24

NYSE COMPOSITE PRICES

Continued from previous page

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

NASDAQ NATIONAL MARKET

4 pm close May 24

AMEX COMPOSITE PRICES

4 pm close May 24

AMERICA

US stocks rise on lower bond yields and gold

Wall Street

A FALL in longer-dated bond yields and lower gold prices helped US stocks post modest gains yesterday morning, in spite of reports that the Federal Reserve has shifted the emphasis of monetary policy toward a raising of interest rates, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was up 10.52 at 3,503.35. The more broadly based Standard & Poor's 500 was up 1.08 at 446.92, while the Amex composite was 0.62 lower at 432.24, and the

SAO Paulo was some 2.3 per cent higher at midsession on reports that Brazil had reached an accord with creditor banks on the recasting of their bond options to reschedule the $44bn foreign debt. The Bovespa index was up 768 at 33,936. Prospects of lower interest rates also provided support after Mr Fernando Henrique Cardoso, the new economy minister, said that monetary policy will continue to aim at cutting rates.

Nasdaq composite up 0.59 at 694.88. NYSE trading volume was 117m shares by 1 pm.

After last week's wild gyrations, the markets opened amid a considerable degree of confusion and uncertainty about the near-term outlook for stocks. That outlook appeared to darken yesterday morning when newspaper reports said that the Fed's policy-making Open Market committee had voted at its meeting last week to prepare for a possible increase in short-term interest rates because of growing concern about the threat of revived inflation.

The suggestion that short-term rates could go higher would normally derail equity market sentiment. Yet, after last Friday's 30-point decline, investors were inclined to buy. A rise in bond prices, which brought down long yields, helped, as did a fall in gold prices. A series of computerised buy programs also contributed to the early advance. After posting a 21-point gain mid-morning, however, the Dow slipped back from its highs in early afternoon trading.

Among individual stocks, Kellogg dropped $2¾ to $53⅞ in busy trading after the company said that it expected second quarter earnings to come in about 10 per cent below the 68 cents a share earned at the same stage of 1992. Quaker Oats, down $1½ at $72⅞, fell in sympathy.

Some big computer stocks were in fine form in the wake of recent surprisingly good figures from Hewlett-Packard. IBM rose $1¼ to $49⅝, Hewlett-Packard $1⅝ to $85¼, and Motorola $1⅝ to $79¼. Others in the sector, however, did not fare so well. Unisys slipped $⅛ to $11¼. Digital Equipment gave up $¼ at $46 and Compaq lost $⅜ at $57¼.

On the Nasdaq market, Amgen fell $2¼ to $36¼ in volume of 2.5m shares after the brokerage house, Hambrecht & Quist, lowered its rating on the California biotechnology company's stock from "hold" to "sell".

Jacobson Stores fell $½ to $13 on news of a sharp drop in first quarter earnings.

● CANADA was closed for a public holiday yesterday.

SOUTH AFRICA

GOLD stocks put on a further 5 per cent in active trading with most of the interest again coming from foreign investors. The index advanced 91 to 1,885 with some of the biggest gains coming from smaller mining groups. Doorns, for instance, jumped by R1.20, or 24.4 per cent to R6.15.

The industrial index rose 15 to 4,526 and the overall gained 46 to 4,032.

EUROPE

Paris rallies late on seventh interest rate cut

FISCAL easing, or the prospect of it, affected a number of bourses yesterday, *writes Our Markets Staff.*

PARIS took time to react to a further cut in domestic interest rates, the seventh since the new administration took office, but a late rally saw the CAC-40 index gain 24.5 or 1.3 per cent to 1,861.37. Turnover was some FFr2.4bn on the first day of the new account.

The rate cut came as a surprise. Most market participants had not been expecting a further decline until a fresh move is made by the Bundesbank. However, the recent strength of the franc enabled the central bank to go ahead.

Weekend reports that the government plans to extend privatisation candidates to include, among others, Renault and Unisor, the steel group, also lifted sentiment.

Among the day's most active stocks, Total benefited from news that oil tests in Colombia had been successful. The shares advanced FFr13 to FFr262. The report helped Elf which gained FFr5.30 to FFr374.

Peugeot went against the trend, down FFr5 to FFr525, after Mr Jacques Calvet, its chairman, forecast that French new car sales will show an even sharper slowdown in May than in April.

FRANKFURT was short of upbeat news, and unhappy with the corporate stories it did hear, Volkswagen falling DM4.90 to DM313.50, and VEW DM7 to DM256 among second liners. The DAX ended 7.48 lower at 1,603.09 in turnover down from DM5.4bn to DM4.7bn.

VW, still relatively close to the 1993 high it hit on the appointment of Mr Ignacio Lopez, the former General Motors cost-cutter, and its prospects for corporate restructuring, fell on profit-taking and the legal row between GM and Mr Lopez over the alleged removal of company documents.

VEW, the German utility heavily committed to gas-fired electricity production, and thought to be a prospect for strategic gains in fuel supply, dropped from last week's 1993 high of DM267 as flat profits were accompanied by an unchanged dividend.

AMSTERDAM was lifted by strength in Wall Street and a recovery in Unilever, up Fl 2.80 at Fl 192.50 after last week's suggestions of a downturn in the European food sector.

The CBS Tendency index rose 0.6 to 105.1. Heineken was another winner, up Fl 1.20 to Fl 179.10, while the publishing sector was weaker as some investors took profits: Elsevier slipped 20 cents to Fl 128.30 and VNU 40 cents to Fl 119.00.

ZURICH featured a SFr12 gain to SFr619 for Swissair registered as the SMI index rose 3.9 to 2,237.4.

Holderbank, the cement producer, closed SFr1 lower at SFr651 after it forecast at least maintained profits in 1993, and mooted a higher dividend. In a mixed insurance sector, Baloise registered rose SFr20 to SFr1,780 ahead of today's annual news conference.

MILAN fell back on late profit-taking which eroded some of the day's early gains. The Comit index fell a marginal 1.21 to 577.24.

Fondiaria, the insurance group, put on L922 to L30,215 in spite of denying weekend press reports that it might be sold.

Fiat, which is due to announce 1992 results next Monday, gained L50 to L6,625 on the kerb.

Other movers included Montedison, up L9 to L1,170 and Banca Commerciale Italiana which rose L99 to L5,555.

MADRID reported interest rate hopes, and futures-inspired buying which kept the general index in respectable territory, up 0.34 to 256.67 as turnover eased from Pta23bn to Pta16.9bn. Banesto fell Pta30 to Pta2,175 after the weekend news that it would pass its final dividend for 1992, and seek a New York stock exchange listing after a pending Pta130bn ($1.04bn) capital raising operation.

BRUSSELS saw large declines in banking stocks as the Bel-20 index fell 8.56 to 1,204.65. Turnover, at around BFr1.8bn, was enhanced by heavy trade in the electricity utility, Electrabel, which fell BFr30 to BFr6,100 in 44,100 shares.

Analysts blamed profit-taking as the banking sector fell by over 1 per cent. Générale de Banque ended BFr140 lower at BFr7,500, Kredietbank BFr106 at BFr6,500 and Bruxelles Lambert BFr50 at BFr3,600.

STOCKHOLM could not sustain Friday's strong advance as both Astra and Ericsson weakened. The Affärsvärlden general index lost 5.3 to 1,087.4 in turnover of SKr1bn.

Ericsson B shares, which accounted for some SKr170m of total turnover, slipped SKr4 to SKr316 while Astra was off SKr2 at SKr738.

OSLO's all-share index fell 2.17 to 474.91, but the market showed an upward trend just before the close after the central bank announced that it was cutting its key overnight lending rate from 7.75 to 7.50 per cent.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

May 24 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1154.12	1154.96	1155.26	1155.74	1155.54	1155.37	1155.92	1156.98
FT-SE Eurotrack 200	1215.30	1214.29	1214.67	1213.38	1214.97	1214.83	1215.18	1217.42

	May 21	May 20	May 19	May 18	May 17
FT-SE Eurotrack 100	1155.78	1156.03	1147.97	1152.98	1146.07
FT-SE Eurotrack 200	1215.46	1220.19	1212.27	1217.75	1214.06

Base value 1000 (26/10/90) Highday: 100 - 1157.84, 200 - 1217.42 Lowday: 100 - 1154.12 200 - 1212.68 †Partial

ASIA PACIFIC

Hong Kong improves by another 1.5% ahead of talks

Tokyo

EQUITIES fell in the final minutes of trading as stock index futures contracts weakened and investment trust fund purchases lost momentum, *writes Wayne Aponte in Tokyo.*

The 225-issue average ended 81.31 lower at 20,476.16, after trading between 20,453.57 and 20,691.20. The Topix index of all first section issues slipped 2.43 at 1,610.69 and, in London, the ISE/Nikkei 50 index rose 2.33 to 1,241.69.

Volume was 400m shares compared to Friday's 425m. Advances equaled declines at 505, with 168 issues unchanged.

Brokers said that favourable money supply data for April, released after Friday's close, which showed a 0.6 per cent rise from the previous year, kept activity firm early in the session.

However, clearer signs of an economic recovery are needed to motivate investors to enter the market. "We need more good figures," said Mr Ryoji Tanaka, head of Japanese equity trading at Kidder Peabody International. But investors should become more confident about entering the market as the end of the earnings results season approaches, he added.

Technical analysts predict that the Nikkei average's short-term range will remain between 20,250 to 20,600 in the absence of incentives.

Good earnings results encouraged market participants to buy shares in the shipbuilding sector. Mitsubishi Heavy Industries, the day's most active issue, rose Y1 to Y735, Hitachi Zosen Y6 to Y609 and Mitsui Engineering and Shipbuilding Y2 to Y477.

Non-ferrous metals stocks continued to rise in tandem with the gains in the gold price overseas. Mitsui Mining and Smelting put on Y19 to Y563, Dowa Mining Y7 to Y667 and Mitsubishi Materials Y6 to Y521.

Nippon Telegraph and Telephone rose after it filed for government approval to increase the charge rate of public telephones on Friday. The shares rose Y16,000 to Y985,000.

In Osaka, the OSE average ended 22.49 higher at 22,745.07, in volume of 23.4m shares.

Roundup

APART from another impressive performance from Hong Kong the region was generally muted.

HONG KONG continued its record run, the Hang Seng index rising 106.43 or 1.5 per cent to 7,276.39 in turnover of HK$4.7bn.

The announcement of the fourth round of Sino-British talks scheduled for Friday encouraged buying, some commentators noted.

Hutchison Whampoa and Cheung Kong topped the active list, rising HK$1.10 and 30 cents respectively to HK$21.90 and HK$28.00.

Investors were also seen switching into utilities: HK Telecom rose 30 cents to HK$11.50 while China Light added HK$1.25 to HK$39.75.

SINGAPORE fell back but some observers commented that overall sentiment remains positive. The Straits Times industrial index lost 6.71 to 1,855.15 in turnover of S$462m.

Amcol Holdings jumped 31 cents to S$3.26 after giving details of its involvement in an Indonesian satellite project.

SEOUL was slightly firmer for the seventh consecutive session in spite of some profit-taking which erased an early 6 point gain. The composite index added 0.57 to 733.91 in turnover of Won706.8bn.

TAIWAN reversed early gains to close lower on late selling. The weighted index, which had risen 25 points, ended 36.51 lower at 4,258.92, its fifth straight fall. Turnover was T$15.3bn, the lowest in a full session since January.

Conflict within the ruling Nationalist party and recent poor economic data, including a cut in this year's official GNP forecast, continued to affect sentiment.

However, Hualon, the textile group, went against the trend, gaining 80 cents to T$31.10 on reports that a consortium of local banks had agreed a loan arrangement of T$3bn.

MANILA moved slightly ahead although activity was reported to have been subdued. The composite index rose 5.61 to 1,577.71 in turnover of 202.4m pesos. Philippine National Bank was among the day's biggest gainers, rising 5 pesos to 249.

KUALA LUMPUR fell back on profit-taking, the composite index losing 4.87 to 724.48. Volume declined sharply to 431m shares against Friday's 642m.

Among the actives Tanjong shed 70 cents to M$13.40.

AUSTRALIA slipped towards the close in spite of a strong performance by gold stocks.

The All Ordinaries index lost 10.1 to 1,685.5 with banking and transport particularly weak. Turnover was A$302.8m.

In the gold sector, Newcrest gained 13 cents to A$4.18, Placer Pacific climbed 5 cents to A$2.70 and Poseidon Gold rose 6 cents to A$3.01.

NEW ZEALAND shrugged off a weak opening to finish stronger with a gain in the NZSE-40 index of 9.67 to 1,628.27. Turnover was NZ$33.5m.

Air New Zealand rose 10 cents to NZ$2.20 on strong overseas demand. Elsewhere Fletcher Challenge rose 1 cent to NZ$2.65 while Brierley eased 1 cent to NZ$1.06.

BANGKOK lost nearly 2 per cent after the SET index fell below the 850 level, closing off 17.14 at 841.23. However, turnover was a below average Bt2.6bn. Some analysts commented that recent disappointing first quarter results had depressed sentiment.

Bourses decouple from volatile Dow

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	+0.64	+1.41	-14.70	+2.64	+0.01	+1.82
Belgium	+0.16	-1.41	+3.47	+10.33	+7.87	+9.83
Denmark	-0.62	+4.88	-6.64	+17.65	+16.43	+18.54
Finland	+7.21	+11.84	+58.81	+51.68	+42.38	+44.98
France	-0.63	-3.80	-7.36	+1.64	+0.74	+2.56
Germany	-1.61	-3.24	-10.87	+5.49	+3.11	+4.98
Ireland	-0.58	-0.48	+8.88	+26.72	+15.30	+17.39
Italy	+4.17	+6.06	+23.24	+31.93	+29.15	+31.49
Netherlands	-0.86	-1.97	+4.19	+8.71	+6.50	+8.44
Norway	-0.64	+3.09	-6.87	+13.98	+12.77	+14.81
Spain	+0.22	+3.41	-0.56	+19.57	+8.54	+10.51
Sweden	+0.37	+3.99	+13.96	+12.26	+6.93	+8.87
Switzerland	+2.25	+3.66	+15.87	+8.99	+6.53	+8.46
UK	-0.99	-0.77	+4.95	+0.43	+0.43	+2.25
EUROPE	-0.31	-0.44	+2.12	+5.69	+4.11	+6.01
Australia	-0.26	-2.12	-3.52	+6.65	+5.74	+7.65
Hong Kong	+2.24	+7.50	+18.81	+30.94	+28.83	+31.17
Japan	+0.60	+4.41	+16.96	+21.86	+35.35	+37.81
Malaysia	+2.07	+8.42	+45.26	+26.87	+27.11	+29.42
New Zealand	+3.80	+0.76	+2.66	+7.85	+12.24	+14.27
Singapore	+1.16	+6.75	+15.45	+16.72	+16.41	+18.53
Canada	+0.49	+3.60	+7.74	+10.82	+9.23	+11.21
USA	+1.51	+2.15	+8.24	+2.34	+0.51	+2.34
Mexico	+2.59	-6.01	-5.84	-8.16	-9.42	-7.77
South Africa	+2.16	+12.88	+8.09	+27.71	+30.96	+33.33
WORLD INDEX	+0.79	+2.34	+8.97	+9.40	+11.27	+13.30

† Based on May 21st 1993.

By William Cochrane

Technical analysts were saying last week that European bourses had decoupled from the Dow. Record highs on Wall Street on Wednesday and Thursday seemed to engender no answering enthusiasm on this side of the Atlantic.

Falls in Europe's three biggest equity markets – Germany, the UK and France – were instrumental in reducing Europe's performance to a slight decline which, with Japan in average form, left the US mainly responsible for the 0.8 per cent gain in the FT-Actuaries World index in local currency terms.

The Dow fell back on Friday, on profit-taking and under technical pressure, but the global strategy team at Nomura, headed by Mr Nicholas Knight, is bullish.

They say that cash had been stockpiled on the sidelines ready to hit the US equity market at the first downside opportunity, and that this is exactly what happened. "The average mutual fund has 10 per cent liquidity," they argue, "twice the amount necessary to meet at least the initial redemptions that were seen over the weekend of the crash in 1987." Nomura is increasing its weighting in the US equity market from 32.3 to 36.3 per cent, reducing Spain, Hong Kong and Australia in the process.

Europe was marked by renewed enthusiasm for Italy and Finland, the former on interest rate hopes and the latter after a strike threatening exporting companies was called off. Thursday's Ascension Day holiday, extended to two days in Paris and Brussels, gave most bourses an excuse to mark time.

Germany was the worst performer in Europe last week. The UBS global research letter, edited by Mr Guy Rigden, says that, with Italy, Germany has yet to face the full impact of severe fiscal retrenchment and consequent falling domestic demand. "We have cut our estimate of German profit growth to minus 30 per cent in 1993," say UBS.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY MAY 21 1993								THURSDAY MAY 20 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (68)	134.69	+0.0	129.55	94.00	113.97	129.05	+0.9	3.83	134.72	128.36	94.10	113.01	127.91	144.19	117.39	152.33
Austria (18)	142.71	-0.9	137.26	99.59	120.75	120.49	-0.2	1.70	144.03	137.23	100.61	120.82	120.71	150.96	131.16	167.92
Belgium (42)	146.32	-0.7	140.73	102.10	123.80	120.52	+0.0	4.70	147.42	140.47	102.96	123.66	120.52	156.76	131.19	141.84
Canada (109)	128.60	+0.3	123.69	89.74	108.81	117.99	+0.2	2.80	128.19	122.14	89.53	107.52	117.70	128.60	111.41	127.00
Denmark (33)	220.63	-0.5	212.20	153.97	186.68	186.87	+0.1	1.21	221.72	211.26	154.87	185.99	186.59	225.64	185.11	239.25
Finland (23)	100.92	+3.1	97.06	70.43	85.39	115.90	+2.5	1.06	97.90	93.28	68.38	82.12	113.05	100.92	65.50	78.87
France (98)	150.95	-0.6	145.18	105.33	127.71	129.64	+0.0	3.46	151.92	144.75	106.11	127.43	129.64	167.36	142.72	166.03
Germany (62)	109.22	-1.4	105.05	76.23	92.41	92.41	-0.5	2.29	110.78	105.55	77.39	92.92	92.92	117.10	101.59	123.69
Hong Kong (55)	290.62	+0.5	279.51	202.81	245.91	288.34	+0.5	3.23	289.04	275.40	201.89	242.47	286.79	290.62	218.82	244.23
Ireland (15)	159.39	-0.2	153.30	111.23	134.86	149.38	+0.5	3.55	159.67	152.13	111.53	133.94	148.70	170.40	129.28	160.27
Italy (73)	72.15	-0.9	69.39	50.34	61.04	79.66	-0.2	2.41	72.82	69.38	50.86	61.08	79.81	72.82	53.78	71.64
Japan (470)	144.74	+1.3	139.21	101.01	122.48	101.01	+1.2	0.83	142.87	136.13	99.79	119.85	99.79	146.85	100.75	103.97
Malaysia (69)	338.39	-1.4	325.46	236.14	286.31	334.15	-1.5	2.01	343.04	326.85	239.60	287.75	339.14	343.04	251.66	236.67
Mexico (18)	1519.84	+0.3	1461.76	1060.63	1285.99	5152.96	+0.2	1.31	1514.71	1443.24	1058.01	1270.62	5153.79	1725.81	1410.30	1623.59
Netherland (24)	164.18	-0.1	157.90	114.57	138.92	136.64	+0.6	4.05	164.34	156.58	114.79	137.86	135.76	172.75	150.39	158.01
New Zealand (13)	49.01	+0.0	47.14	34.21	41.47	47.79	-0.5	4.78	49.00	46.69	34.23	41.11	48.05	49.32	40.56	46.74
Norway (22)	158.11	-0.6	152.07	110.34	133.79	147.38	+0.1	1.79	159.00	151.50	111.06	133.38	147.29	166.21	137.71	185.94
Singapore (38)	252.90	-0.5	243.23	176.49	213.98	188.27	-0.4	1.83	254.29	242.30	177.62	213.31	189.06	254.49	207.04	215.29
South Africa (60)	197.46	-1.8	189.92	137.80	167.07	200.69	-0.1	2.51	200.98	191.50	140.38	168.59	200.97	200.98	144.72	241.79
Spain (46)	128.86	-0.3	123.94	89.93	109.03	121.00	+0.2	4.93	129.21	123.11	90.25	108.39	120.74	132.82	115.23	158.81
Sweden (36)	180.25	+1.7	173.36	125.79	152.52	194.59	+1.5	1.74	177.17	168.81	123.75	148.62	191.66	180.25	149.70	198.01
Switzerland (55)	122.57	-0.5	117.89	85.54	103.73	111.90	+0.0	1.94	123.14	117.33	86.02	103.31	111.84	123.58	108.91	105.02
United Kingdom (218)	176.24	-1.0	169.50	122.98	149.11	169.50	-0.1	4.06	178.10	169.70	124.39	149.39	169.70	181.99	162.00	198.48
USA (519)	182.26	-1.0	175.29	127.19	154.22	182.26	-1.0	2.81	184.19	175.50	128.66	154.51	184.19	186.27	175.38	168.84
Europe (765)	144.18	-0.8	138.67	100.62	122.00	131.96	+0.0	3.38	145.28	138.43	101.48	121.87	131.87	149.02	133.92	155.61
Nordic (114)	169.92	+1.2	163.42	118.58	143.77	162.17	+1.2	1.54	167.90	159.97	117.27	140.84	160.22	169.92	142.13	182.57
Pacific Basin (713)	148.74	+1.1	143.06	103.80	125.86	107.49	+1.1	1.10	147.08	140.13	102.73	123.37	106.33	150.03	105.89	110.20
Euro-Pacific (1478)	146.76	+0.4	141.15	102.41	124.17	118.09	+0.6	2.02	146.21	139.32	102.12	122.65	117.33	148.94	117.26	128.58
North America (628)	178.91	-1.0	172.07	124.87	151.41	177.88	-1.0	2.80	180.70	172.17	126.23	151.60	179.66	182.38	171.51	166.21
Europe Ex. UK (547)	124.40	-0.6	119.64	86.83	105.28	110.74	+0.1	2.91	125.09	119.19	87.39	104.96	110.66	128.65	112.51	130.20
Pacific Ex. Japan (243)	188.44	+0.0	181.24	131.52	159.46	172.68	+0.2	3.17	188.51	179.62	131.69	158.15	172.32	188.51	152.70	171.59
World Ex. US (1665)	147.50	+0.3	141.86	102.94	124.81	120.23	+0.6	2.04	147.00	140.07	102.69	123.32	119.50	149.39	118.51	130.74
World Ex. UK (1966)	156.41	-0.1	150.43	109.16	132.35	136.32	+0.0	2.15	156.58	149.19	109.38	131.36	136.34	157.19	134.22	137.34
World Ex. So. Af. (2124)	157.99	-0.2	151.96	110.27	133.69	139.88	+0.0	2.33	158.29	150.82	110.57	132.79	138.92	158.98	137.29	141.95
World Ex. Japan (1714)	167.12	-0.9	160.73	116.64	141.43	160.63	-0.6	3.00	168.56	160.61	117.75	141.42	161.54	168.56	157.47	164.29
The World Index (2184)	158.16	-0.2	152.12	110.38	133.83	139.40	+0.0	2.34	158.48	151.00	110.70	132.95	139.44	159.07	137.32	142.60

Latest prices were unavailable for this edition. Markets closed May 21: Belgium and France.

FINANCIAL TIMES SURVEY

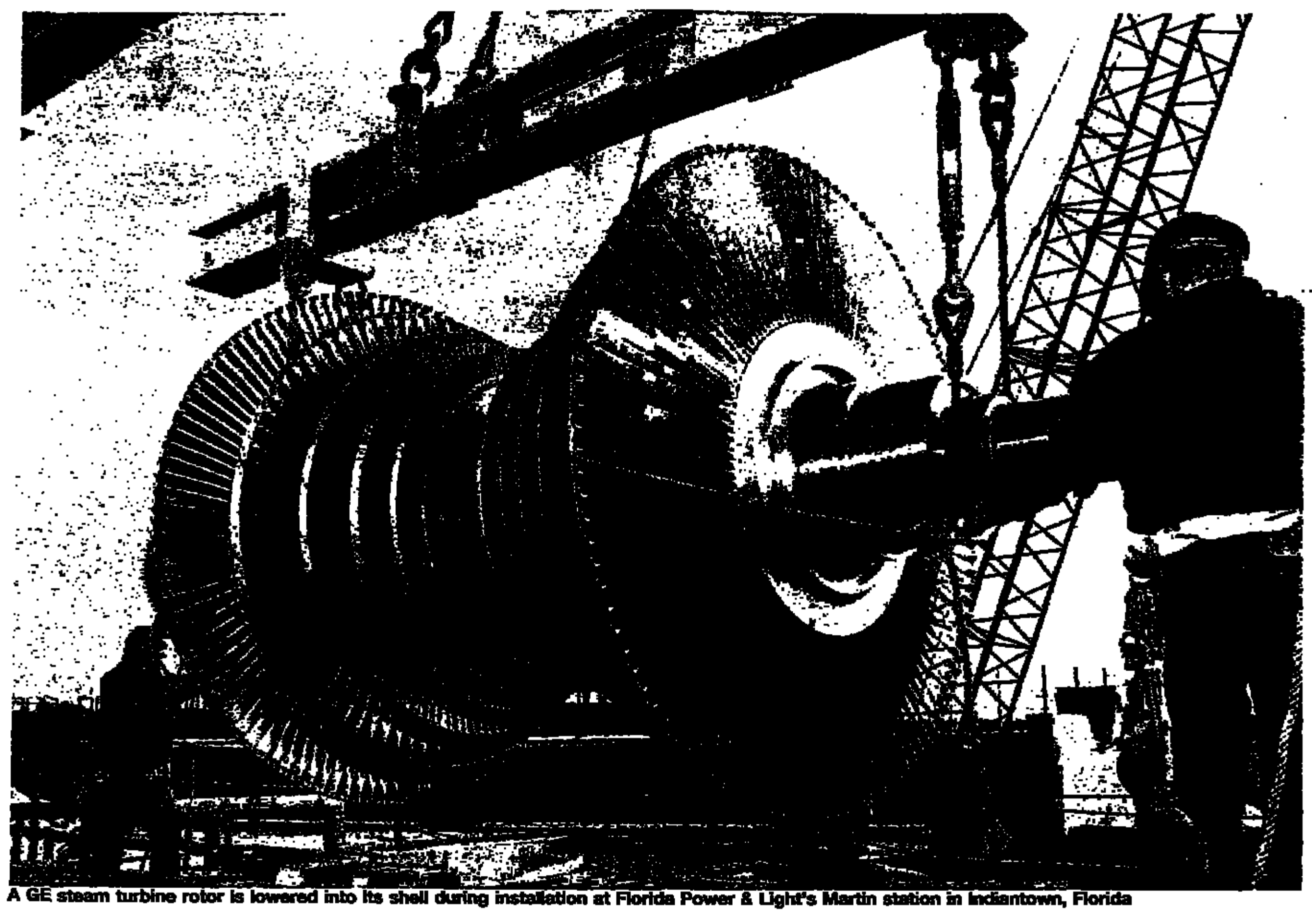
POWER GENERATION EQUIPMENT

SECTION III

Tuesday May 25 1993

Throughout the next decade, demand for new power generating equipment will continue to shift from the US and western Europe to Asia. The trend is recognised by all the big equipment producers, who are laying plans accordingly. Andrew Baxter reports

Strong wind in the east



A GE steam turbine rotor is lowered into its shell during installation at Florida Power & Light's Martin station in Indiantown, Florida

LAYMEN who assume that the world market for power generating equipment is just a matter of selling turbines, boilers and generators to utilities might wonder where, and why, rolling brown-outs and boiled chicken heads come into the equation.

Rolling brown-outs are the power cuts that countries such as Taiwan and the Philippines impose as they struggle to keep power output up with the needs created by rapid economic growth. Boiled chicken heads are the kind of banquet delicacy faced by western equipment salesmen during the battle for orders in key markets such as China.

Over the past five years, and throughout the next decade, demand for new power generating equipment has been and will continue to shift from the US and western Europe to Asia. The trend is recognised by all the big equipment producers, who are laying plans accordingly.

"It is quite clear that Asia will be the highest economic growth area for several decades," says Mr Frank Bakos, vice president and general manager at the Westinghouse Electric power generation business unit. "Whoever can deliver the best product at the most reasonable prices will be most successful in supplying the needs of the industrialising countries."

However the projected statistics for the next few years are displayed, Asia looks like coming out on top in a world market that Westinghouse expects to be worth $25bn a year by the year 2000 - with annual order volume up 40 per cent from today.

General Electric, the world's biggest power generating equipment supplier, forecasts that 180 gigawatts (GW or thousands of megawatts) of new power capacity will be needed in the Asia Pacific region from 1993-2002, equivalent to annual growth of 6.2 per cent.

That excludes a forecast 46GW of additional capacity needs in Japan, and comes out of a total world forecast of 610GW of new capacity needs – implying a reasonable growth rate of three per cent.

Asea Brown Boveri, the big Swiss-Swedish supplier, expresses the growth differently. Mr Gōran Lindahl, the Swiss-Swedish group's executive vice-president for both Asia and for its power plants business, says China and Hong Kong will be adding 12-15GW of new power capacity every year for the rest of this decade.

This is the equivalent of Switzerland's entire installed power capacity. Overall, says ABB, power capacity additions in Asia are running at triple the rate seen in the 1970s, while in western markets new capacity is being added at only two-thirds of rates seen 20 years ago.

Precise descriptions might vary, but few would quibble with GE's description of the Asia Pacific region as a targeted "megamarket" for power generation. Strong economic growth in several countries, including Taiwan, China, South Korea, Indonesia, Malaysia and China is producing large infrastructure investments and continuing electrification, says GE.

In particular, demand for nuclear plants in Taiwan, Korea and China comes as an immense relief to suppliers facing bleak prospects for plant orders virtually everywhere else outside Asia.

However, the growth in the Asian market creates two problems for western suppliers. First, they have to decide the extent to which it is necessary to enter into joint ventures and local manufacturing deals with domestic suppliers, and understand the different nuances in what is by no means a unified market.

Korea, for example, is more interested in developing its heavy equipment industry than is Taiwan. In China, according to Mr Hans Böhm, vice president of Siemens, it is very important that the market is approached via local manufacturing deals, which will allow the majority of plant investment to be financed locally.

There is also, he says, a need to develop local manufacturing so that its capacity to handle larger unit sizes can be increased.

Siemens is negotiating joint ventures in China in steam turbines and in hydro-electric power. Westinghouse, too is looking to strengthen its position in Asia through new joint ventures, and developing existing ones in China and Korea. GE and ABB have several negotiations underway – the Canadian arm of GE recently concluded a hydro-electric technology transfer deal in China. The Anglo-French GEC Alsthom also has a strong position in China.

A second, and related, poser for equipment suppliers is the extent to which they should become financially involved in the many independent power projects which are proposed or planned in the region. US suppliers have greater experience of such projects because of the phenomenal growth of non-utility power producers in the home market, but the political risks are much greater overseas.

Overall, equipment suppliers are wary of long-term involvement in Asian "build-own-operate" (BOO) or "build-operate-transfer" (BOT) arrangements. "We are investing only to drive our core business," says Mr Böhm. "We are not an investor like a bank."

If Asia is the main current theme in the generating equipment industry there are a number of sub-plots – in some of which the denouement is as far away as ever.

In the US, a combination of "repowering" of existing plants, modernisation and life extension and new thermal plants is providing steady growth opportunities in a market that is still likely to account for almost a sixth of new capacity needs over the next 10 years.

In Europe, overall growth is relatively sluggish but the market is becoming increasingly technology-led, with environmentally-related equipment accounting for as much as 30 per cent of the cost of a power station. The dominant themes will be examined at the three-day Power-Gen Europe conference and exhibition which opens today in Paris.

An important development over the past year in Europe has been the resolution – at least as regards power plant – of a dispute between the US and the European Community over public procurement.

US suppliers are relieved to have won a waiver on controversial articles in the EC utilities directive, in particular the rule stipulating that public utilities must prefer a European bid where it is no more than 3 per cent dearer than the best bid from overseas.

GE sees the deal as opening the way to selling its steam turbines in Europe for the first time since the era of the Marshall Plan. "This was the key trade issue in the industry," says Mr Del Williamson, vice-president for sales at GE Industrial & Power Systems.

Mr Williamson recalls a bid which GE made last year to build a power plant in Germany. The US company lost out in spite of having a lower price and a 1 percentage point edge on thermal efficiency - although the project was later cancelled.

The situation in eastern Europe remains, in the words of John Yasinsky, group president at Westinghouse Electric, "exciting and frustrating". Most suppliers have had their share of both sides of the story, where the key issue remains the need for western finance to complete, update or replace with alternative power generating plant the 81 Soviet-built nuclear plants in eastern Europe, Russia and the Ukraine.

Some progress has been made on this issue, but suppliers complain of bureaucratic delays hampering the raising of money that has already been agreed – such as the $700m approved at the G7 meeting in Munich last June. Westinghouse is attaching particular importance to a $220m contract it has tied up to supply the instrumentation and control system to the partially-completed Temelin nuclear project in the Czech Republic. The deal could open the way for further work on the newer, safer VVER 1000 type of stations, Westinghouse believes.

Siemens has already won a contract to update the instruments and controls of the second generation VVER440-type station under construction at Mochovce in the Slovak Republic.

Meanwhile, says Mr Böhm, it is confident of winning soon an order for three 450MW combined cycle power units in St Petersburg, providing district heating and fired by gas turbines to be produced at Interturbo, Siemens' joint venture company in the city.

IN THIS SURVEY

POWER GENERATION EQUIPMENT 2

Andrew Baxter on GE's support for an unorthodox power system

Something interesting is afoot

When the largest company in any industry secures a worldwide licensing deal from one of the tiniest for a relatively new technology, something potentially very interesting is probably afoot.

Such was the case in February when General Electric, the world leader in power generating equipment, announced a worldwide licensing agreement with Exergy of Hayward, California to further develop and market a technology that could increase overall efficiency of GE combined cycle power systems.

Behind the deal lies the Kalina cycle technology developed by Dr Alexander Kalina, a Russian emigré who is the principal owner of Exergy. Dr Kalina, like many other engineers, was looking for ways to improve the overall efficiency of electric power generation.

Using as a basis theory developed by Dr Myron Tribus, a former GE turbine designer who is now a director of Exergy, Kalina decided to "throw the book away" and change a system that has been in place for 140 years. Instead of concentrating on equipment and materials that could lead to only marginal improvements, Dr Kalina focused on the very process by which heat is converted into electricity.

The Kalina cycle, therefore, is an alternative to the standard steam cycle by which 70 per cent of all electric power is generated. The standard or Rankine cycle uses a single working fluid (usually water) to make steam in a boiler, expand it through a turbine to generate electricity, and then condense the spent steam, pump it and return it to the boiler. Because the thermodynamic requirements in the various parts of the cycle differ, this creates compromises, says Exergy.

In contrast, the Kalina cycle changes the working fluid in different parts of the system, by using a fluid that is a mixture of two or more components with different boiling points – typically, ammonia and water – and varying their ratio, to avoid compromises in the standard steam cycle.

The result is that more electricity is produced from the same quantity of fuel. According to Exergy, the Kalina cycle improves the efficiency of thermal power plants by 8-80 per cent, depending on the particular application. Assuming a 15 per cent increase in efficiency, 100 per cent adoption of the Kalina cycle in the US would save fuel worth \$6bn at 1991 prices. Emissions, including greenhouse gases and particulates, would decrease by 15 per cent, says Exergy.

As with many small companies trying to interest large established suppliers in a new technology, success has not come overnight for Exergy, which was founded in 1980 to exploit the Kalina cycle.

In 1984 it decided that the best way to demonstrate the advantages of the Kalina cycle was to build a prototype power plant, and three years later it signed an agreement with the US Department of Energy to build one at the Department's Energy Technology Engineering Center in Canoga Park, California.

In 1991, a major milestone was passed when the 3.2MW plant, using exhaust gases from an adjacent test facility as its heat source, was successfully operated. The working fluid is ammonia and water, and the lynchpin is a "distillation condensation subsystem" in which the composition of the mixture is changed – so that different mixtures can be used in the boiler and condenser.

It was about this time that GE began a detailed, two-year study of Kalina cycle technology. By the time the two companies had announced a deal this year, both the efficiency and economics of Kalina cycle systems had been improved by the companies' joint efforts.

The effect of the Kalina cycle could be to raise the thermal efficiency of combined cycle power generation by one or two percentage points from the current 55 per cent-plus

GE's worldwide licence for the Kalina cycle covers its application only to combined cycle power generation. Using a mixture of ammonia and water increases the thermodynamic availability of energy transfer from the gas turbine exhaust to the steam turbine. "So you can use a bigger steam turbine for free," says Mr Del Williamson, vice-president for sales at GE Industrial & Power Systems.

The effect of the Kalina cycle could be to raise the thermal efficiency of combined cycle power generation by one or two percentage points from the current 55 per cent-plus. This would help the power industry save millions of dollars a year in fuel costs, and could, therefore, be very important to GE from a competitive point of view.

According to Mr Williamson, GE is now working on scaling up the technology to establish what the cost would be. GE expects to have demonstrator units in place over the next three years.

Mr Tribus points out that there are no theoretical limitations to the size of the Kalina cycle. Standard equipment is used, and the only material that has to be avoided is copper, which is attacked by ammonia.

"I am convinced this will give GE an unbeatable advantage over everybody else," says Mr Tribus.

In practical terms, the Kalina cycle version of a combined cycle plant would have a modified heat recovery steam generator (boiler), to include the elements of the distillation/condensation subsystem. A low pressure condenser, recuperative heat exchanger, gravity flash tank and high pressure condenser would replace a single condenser in traditional plants.

For the utility, the payback would depend on the market and the fuel price, says Mr Williamson. "Where fuel prices are low, the payback will not be so attractive," he says. And if the payback was more than three or four years, the system may not be seen as attractive.

Exergy, meanwhile, is working on several other applications for the Kalina cycle. It will be five years until the cash rolls in from any GE sales of combined cycle plants with a Kalina cycle, which could be too long to wait if Exergy wants to develop its plans for coal-fired plants, says Mr Tribus.

Here a particular attraction is the repowering market. "You could take out the guts of an old coal-fired plant, put in our plant, and increase output by 20 per cent for the same coal usage," he says.

To exploit this market, Exergy may well raise \$50m-\$60m to get into the coal-fired business itself. A less likely possibility would be to find a partner with engineering ability and market knowledge.

Exergy is also negotiating with several companies that want to take a licence for applying the Kalina cycle to geothermal power generation. The efficiency gains are as high as 80 per cent here because the Kalina cycle performance improves in lower temperatures.

The boilermaking industry is changing, but at its own speed

Weakest will go to the wall

Along with other parts of the power generating equipment industry, boiler makers are having to adapt to changing product and technology trends – environmental pressures, the growth in popularity of combined cycle power generation – and are also reorganising themselves to become more competitive.

But, in comparison with newer sectors such as gas turbines, the boiler industry has travelled less far down the road towards global concentration. As one of the oldest, and – until recently, at least – less sophisticated sectors of power engineering, national buying preferences have prevailed longer than elsewhere.

Worldwide, there are about 50 companies capable of producing boilers for power plants – the boilers are traditionally used for raising steam in coal-fired generation but are also used in combined cycle: the waste heat steam generators that link the gas turbine to the steam turbine are basically boilers.

In Europe alone there are 20-30 producers and manufacturing overcapacity has been a serious problem. A study for the European Commission in 1988 found that capacity utilisation by Europe's boiler manufacturers averaged just 20 per cent, compared with 60 per cent for the turbine generator sector.

In Europe and worldwide, the situation has improved since then, due partly to mergers worldwide, to improved world market conditions and also to restructuring within individual companies in Europe and North America.

Among the various deals that have more closely tailored boiler manufacturing capacity to worldwide demand or, at the very least, rationalised the industry's structure, were:

- Asea Brown Boveri's takeover of Combustion Engineering of the US and its recent acquisition in Prvni brnenska strojirna in the Czech Republic;
- The integration of France's Stein Industrie and EVT of Germany – each of which had themselves developed through mergers – under one roof as the main elements of GEC Alsthom's boilers and environmental systems business;
- Last year's joint venture in boilers between Deutsche Babcock and Lentjes, a subsidiary of Metallgesellschaft; Deutsche Babcock had acquired Riley Stoker of the US in 1990.
- The acquisition by Finland's Ahlstrom Pyropower of Outokumpu's boiler business and of Fakop, a leading Polish boiler manufacturer.
- Last year's acquisition by Germany's Steinmüller of a 40 per cent stake in Tampella's boiler-making business. Tampella, based in Finland, had previously bought Keeler in the US.

There has also been thoroughgoing slimming and refocusing at many of the larger companies. The workforce at Babcock Energy's main boiler plant at Renfrew in Scotland, for example, has been reduced by 800 in the past five years to just under 1,200 and the factory is a true low-cost producer, says Mr John Prosser, executive director of Babcock Energy's power engineering division.

The workforce at Combustion Engineering has been cut by about 15 per cent to under 5,000, although the entity no longer exists as such within ABB. The business, says Mr Kevin Pilon, vice-president for strategic development at ABB's boiler business, is "down to the core, and perhaps now in a small build-up phase" for employment.

Outsourcing of less critical components has been stepped up, and the business has been reorganised on a profit centre basis, and given new management at profit centre levels.

Worldwide, the major boiler producers are Combustion Engineering, Foster Wheeler and Babcock & Wilcox, all of the US; Ahlstrom, Babcock Energy, and Deutsche Babcock from Europe and Mitsubishi Heavy Industries of Japan. The Babcock companies are unconnected, albeit linked in the past.

Then come dozens of national producers, some of which are active in international markets.

Most observers believe there both could and should be further rationalisation in the boiler industry, with weaker players going to the wall and companies with niche technologies either remaining independent or finding financial security within larger groups.

But the pace at which some of the national producers will be squeezed will depend critically on how quickly some of the more protectionist markets will be opened up. Countries such as France and Italy, for example, have never been easy for foreign suppliers.

Companies such as ABB make a virtue of offering a turnkey package of virtually everything needed to build a power station

Meanwhile, overcapacity remains and the strong competition for orders means that prices for power plant boilers have been stable or declining in real terms, according to Mr Pilon.

He points out, though, that there are ways for boiler makers to differentiate themselves. One measure of competitiveness is an effective cycle time strategy – the ability to deliver quicker. Differing product strategies add another twist to the competition.

Companies such as ABB make a virtue of offering a turnkey package of virtually everything needed to build a power station. Siemens and Westinghouse, in contrast, buy in their boilers.

Then there are companies which concentrate almost exclusively on boilers, at least as regards their power equipment business.

Mr Prosser points out that Babcock Energy has supplied boilers with ABB, and in one of the biggest recent power plant contracts, the \$1.25bn Black Point combined cycle project in Hong Kong won by GEC Alsthom and General Electric, Babcock won an £80m contract to supply the heat-recovery steam generators because of the customer's strong preference for its equipment.

Inevitably, the outlook for the boiler industry over the next few years mirrors that of the power generating equipment market generally. Overall, says Mr Prosser, the next two years will be tough but there are big market opportunities in Asia and the Pacific Rim.

Naturally, therefore, the western boiler makers are stepping up local manufacturing to help win orders and because it makes economic sense to build at least some of the components close to the market place.

ABB, for example, has a boiler fabrication joint venture in Indonesia, and Babcock Energy, says Mr Prosser, is looking for partners in China and Malaysia to supply plant such as flues and ductwork.

Babcock is currently bidding jointly with Wuhan Boiler Works in central China for the Ezhou anthracite-fired power station. Again Wuhan will be manufacturing some of the less critical parts if the consortium wins the contract.

As for technological developments, there is still considerable debate as to how environmental pressures will affect the boiler industry. The boiler producers have already made important contributions to clean coal burning, whether through the development of low-Nox burners or through flue gas desulphurisation equipment which removes sulphur dioxide. The big companies are trying to keep their options open, as it is not clear what the relative long-term importance will be in the market place for such clean coal technologies as integrated gas combined cycle, circulating fluidised bed boilers, traditional pulverised coal boilers with scrubbers, or such combinations as pressurised fluidised bed boilers linked to IGCC.

GEC Alsthom's Stein Industrie recently won an order in France for a 250MW CFB boiler, which it claims is the world's largest. Mr Eric Oakes, Ahlstrom Pyropower's president, says the company has orders for two 230MW boilers in Poland, and says 300MW boilers are attainable.

"If a CFB boiler can match the price of a pulverised coal boiler with a scrubber, it can be the boiler of choice as the emissions are lower," says Mr Oakes. He suggests that the future could see IGCC repowering existing gas turbine plants as the price of gas rises, while CFBs could be used to re-equip existing coal-fired plants or fitted to new ones. "There is room for both in the future," he says.

Andrew Baxter

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POWER GENERATION EQUIPMENT 3

Eastern Germany is a huge, if sluggish, market, writes **Ariane Genillard**

A determination to catch up

The noise is deafening. The mammoth turbine hall is 600 metres long and 42 metres wide, big enough to accommodate a total of 12 210MW units.

Together with two 500MW units installed in 1980, eastern Germany's Boxberg plant was for years the largest lignite-fired power station in Europe. Today, it offers some of the largest contracts in continental Europe for power generating equipment.

Boxberg, built with Soviet-designed turbosets in the lignite strip-mining fields of eastern Germany, needs extensive refurbishing and plans are underway for two new 800MW plants. The whole project is expected to cost DM5bn-6bn.

While western Germany's power generating capacity is expected to remain relatively stable over the next few years, the restructuring needs of the ageing power industry in the east has opened an important market for suppliers of generating equipment.

Some 30 per cent of eastern Germany's power stations are due to be closed by mid-1996 as refurbishing is too costly. Moreover, the sharp decline in energy consumption, caused by the economic slowdown and the energy waste which characterised the old regime, makes a large portion of the 22,000MW existing capacity superfluous. Instead, the power plants, which are mostly small 200MW Russian types, will be replaced by large 800MW units.

Vereinigte Energie AG, VEAG, the east German utility company in charge of 70 per cent of the energy production in the five new German states, plans to build 4,000MW of new brown coal-fired power stations and 2,000MW of hard coal stations by 2005. Another 1,000MW will be available from newly-installed gas turbines.

Brown coal, which is abundant, will provide 80 per cent of the energy fuel in east Germany. By 2005, east Germany is expected to produce annually 60m to 70m tonnes of brown coal, according to VEAG.

Moreover, remaining plants will be fitted with sulphur and dust removal equipment to reduce their pollution. VEAG has already committed DM6bn to refurbish the two largest plants in east Germany, Jänschwalde and Boxberg.

In contrast, expansion in west Germany will be minimal with a 2.5 per cent addition to the installed 110,000MW capacity planned over the next five years, according to Siemens. Mostly, projects in the west will focus on replacement of old plants. In total, east Germany will need an estimated DM30bn to rebuild and upgrade its power stations and modernise its transmission lines.

The prime benefactor of this growth will be VEAG which was formed after the disintegration of the energy "Kombinat", the monopolistic structure in charge of energy under the former communist regime. VEAG is still owned by the Treuhand, the state holding agency in east Germany.

Remaining energy production is to be left with regional energy utilities and town authorities.

Three large companies have been dominating the burgeoning market:

- Siemens, acting mostly through its KWU energy subsidiary, has acquired 40 per cent of the market for coal-fired stations and 50 per cent of the market for gas turbines. Its outstanding orders for east Germany amount to DM1.5bn, with further projects in the pipeline.

Siemens orders have included the supply of two 800MW turbosets for the large power plant to be built at the Schwarze Pumpe site in Brandenburg.

Siemens will also install a natural gas-fired and steam turbine cogeneration plant near Dresden. This new plant, representing a total investment of DM480m, will replace the lignite-fired cogeneration at the same site and reduce pollution by 97 per cent.

Other projects include the design and planning of a backfit for the lignit-fired Jänschwalde power plant near Cottbus with a flue gas desulphurisation plant and a combined gas and steam turbine cogeneration plant near Halle.

- Asea Brown-Boveri (ABB), the Swiss-Swedish power and engineering group, has invested DM300m so far but its outstanding orders reach DM2bn.

Asea Brown-Boveri's largest order is for the Boxberg site for which it will be handling the planning work and supplying two complete turbosets for DM435m

ABB's largest order is for the Boxberg site for which it will be handling the planning work and supplying two complete turbosets for DM435m. ABB has also won a DM150m contract for a new coal-fired power plant in Rostock.

- GEC Alsthom, the Anglo-French joint venture, has also acquired significant market shares, with EGT, its gas turbine marker, claiming a 25 per cent market share in Germany while MAN, its engineering division, has captured a 12 per cent market share. EVT, its manufacturer of boilers and environment protection products, claims 20 per cent of the market, with competition coming mostly from the German engineering companies, Deutsche Babcock and Steinmüller.

These companies, all well-established in the West German market before reunification, have largely applied similar strategies to access the eastern market, acquiring sister companies formed with break-up of the monolithic power industry in east Germany.

Other suppliers have included General Electric of the US which in early 1992 signed a contract with Blohm and Voss, the Hamburg-based machinery maker, to offer steam turbine and combined-cycle plants with electrical outputs of 50 to 500MW.

Companies that have established a local presence through acquisition have generally been more successful at winning contracts. This stems from the efforts of VEAG to foster growth for local manufacturers and safeguard existing employment levels.

"We attempt to award contracts to local companies as far as possible when their offers are competitive in order to help the local economy," says Mr Albrecht Schleich of VEAG.

Contracts have been delayed, however, by the bitter battles between regional utilities and towns for a slice of the pie allocated to VEAG. The rivalries have led to appeals to the federal constitutional court against the quasi-monopolistic power of VEAG.

After months of negotiations, VEAG has struck agreements with 14 of the 15 regional utilities in the new German states. But legal quarrels between the regional utilities and the towns are still hampering the decision making processes.

Suppliers will not admit that public-sectors contracts are being awarded too slowly. But the uncertainty has led to a slow-down in allocating available funds.

"Some delays have been observed for some projects but in many cases there has been an awareness that decisions needed to be taken rapidly," says Mr Manfried Simon, a director of ABB Germany.

However, eastern Germany's economic slowdown, which has been sharper than anticipated, has cooled initial expectations. "Programmes have been stretched because economic growth and energy consumption is below target. The big volume did not in fact materialise and the market is overestimated," says Mr Wilhelm Heitmann, chairman of the board of GEC Alsthom's EVT subsidiary.

But most suppliers that hope to pick up business in eastern Europe as a whole remain confident.

Profile: Rolls-Royce Power Engineering

Things are improving

It would be easy to conclude from a tour round the Parsons steam turbine factory at Heaton in Newcastle that one of the most illustrious names in the UK's rich history of heavy engineering triumphs is down on its luck.

The factory is ticking over on a low level of activity, and some of the massive machine tools capable of handling a 300-tonne workpiece are being used on work for outside customers – now that the UK market for large coal-fired steam turbines has dried up.

Parsons and its parent company, the recently renamed Rolls-Royce Power Engineering, have, indeed, just been through a rough patch. Overall employment has fallen about 40 per cent in 10 years, while Parsons' workforce has been halved to 2,500 since 1985.

This is partly a reflection of the rationalisation of capacity throughout the power equipment industry, and especially in the European steam turbine business. But Parsons in particular was also badly hit by the Iraqi trade embargo, causing the cancellation of its £70m Al Shemal contract and the loss of 650 jobs. Bits of equipment for the order still languish at Heaton.

Fortunately, Parsons' factory will soon be humming once again, as manufacturing begins in earnest on two orders now in the design stage. Last year Parsons won a £70m contract from Calcutta Electric for two 250MW steam turbine generators to be installed at the new coal-fired Budge Budge power station.

Parsons also secured an order worth £100m to supply three 250MW steam turbine generators for Stage 3 of the Pulau Seraya power station in Singapore. Having built Stage 1 and then lost out to Japanese competition for Stage 3, the new order is the pay-off for all Parsons' recent efforts to improve its competitiveness.

More orders are being chased, but meanwhile Mr Richard Maudslay, managing director of Rolls-Royce Industrial Power Group, can claim that the power generation business is "quite well loaded: much better than 12 months ago".

At Parsons, Mr Trevor Murch, managing director says: "We have turned from a situation of some gloom and pessimism to one where we can continue building on these recent successes." Over the next few months Parsons will even be recruiting some 300 new manufacturing workers.

R-R PE can trace its history back to Sir Charles Parsons, the inventor of steam turbines, and more recently has been at the centre of the restructuring of UK heavy engineering. A merger in 1977 brought together Reyrolle Parsons (turbine generators, transformers, switchgear and control systems) and Clarke Chapman (boilers, water treatment plant, fossil and nuclear fuel handling systems) to form Northern Engineering Industries. NEI was itself bought by Rolls-Royce for £300m in 1989 in a move designed to protect the aero-engine group from the vagaries of the aerospace market.

Subsequently, a deal with Asea Brown Boveri saw the creation of a UK joint venture, NEI ABB Gas Turbines. This allowed NEI to participate in the UK combined-cycle market, as it lacked a range of heavy-duty gas turbines.

Then last year, Rolls-Royce and Westinghouse Electric announced an alliance covering technology transfer and marketing collaboration that is of far-reaching significance for both companies. And in February, some big changes were made to the corporate identity of companies within the Rolls-Royce Industrial Power Group.

The £70m turnkey programme was finished on time and on budget, and also brought work to other companies within the group

NEI's business is now conducted in the name of Rolls-Royce Power Engineering, and the NEI prefix has been removed from companies with historic names such as Parsons, Reyrolle, Peebles and Clarke Chapman. "There were too many names," says Mr Maudslay.

Changes at R-R PE go a long way beyond the name. Over the past five years, the company has worked hard at rectifying problems which were reducing its competitiveness, especially in turnkey work.

Mr Maudslay is frank about the errors of the past. Up to the mid-1980s, he says, the company lacked the management skills to bring in a project on time and on-budget. "A tremendous amount of time and effort has been spent correcting that," he says.

He contrasts the company's performance on the Rihand power station project in India, where it made the mistake of signing the contract before the technical specification was clearly agreed, to its recent work converting the open-cycle gas-turbine Connaught Bridge power station in Malaysia to combined cycle operation. The £70m turnkey programme won by Parsons, was finished on time and on budget, and also brought work to other companies within R-R's Industrial Power Group.

On the manufacturing side, the rationalisation included closure of the Parsons plant at Long Benton and a change in the make-or-buy policy to increase outsourcing of less critical components.

At Parsons, some £70m was invested in the 1980s on manufacturing technology, and the rate is being maintained this decade, says Mr Murch. A new approach to manufacturing organisation, which Parsons calls "systems engineering" has had a big impact on productivity.

Having slimmed down to what Mr Maudslay calls an "essential core," R-R PE now has a stable base from which it can provide integrated solutions to customers. As long as it was concentrating internally on reducing its capacity, it tended to take a piecemeal approach to winning orders – the same customer would be visited separately by Parsons, Reyrolle etc.

Mr Maudslay sees the overall strategy for R-R PE to be to select the market areas and product ranges where it can play to its strengths.

In power generation this means building on its successful record in what have conventionally been called medium-sized steam turbines – 250-500MW – but which are now very much the standard size used in combined cycle power generation.

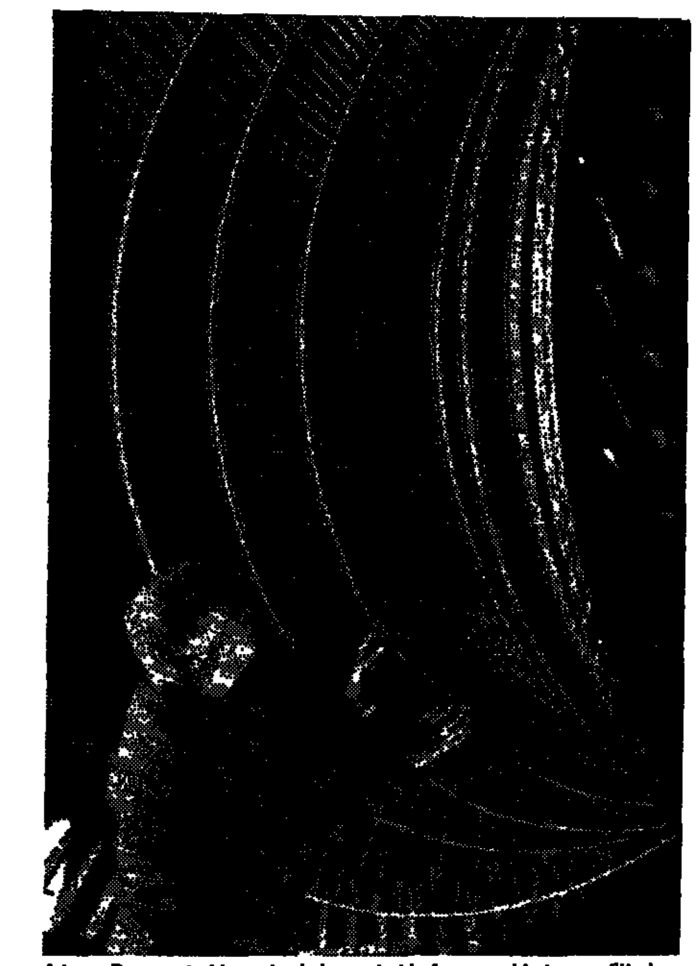
Its regional priorities are the Middle East, India and the Far East. These are the areas with the strongest growth, says Mr Maudslay. The trend towards private power in India and several fast-growing markets in Asia increases the chances of countries' power ambitions being realised, and, via Rolls-Royce & Partners Finance, Mr Maudslay is prepared to take equity stakes in projects. "But I don't see us taking a major share in a major project," he cautions.

Looking ahead, Mr Maudslay attaches considerable importance to the tie-up with Westinghouse. The attraction he says, is the big mutual interest in a deal for both companies. Westinghouse gets aero-engine derivative technology for its gas turbines, while Rolls-Royce gets access to Westinghouse's heavy duty gas turbine range.

The companies will work together on marketing, with either leading a bid depending on each other's market strengths. Co-operation in steam turbine technology development has already begun – "it did not make sense for each to develop its own products," he says.

The agreement with Westinghouse excludes the UK because of the NEI-ABB joint venture, but this looks to be declining in importance for R-R PE overall, perhaps because it lacks the necessary element of mutual interest. Even in the UK, its prospects look uncertain as the market for gas turbines turns cooler.

Andrew Baxter


A large Parsons turbine rotor is inspected before new blades are fitted

Andrew Baxter examines more efficient use of steam

Renewed interest

THE development of gas turbine technology may have taken most of the limelight in recent years, but it would be wrong to give the impression that steam turbines, the stalwarts of power generation for a century, are being ignored.

Inevitably, technology is developing faster in the much younger gas turbine sector, but recently the pace of change in steam turbines has been accelerating.

Part of the reason is that steam turbines are an integral part of combined cycle power generation, and must therefore play their part in increasing the overall efficiency of the system – which is one of its key selling points.

But, across the world, there is also renewed interest in getting greater thermal efficiency and economy from new coal-fired plants, which require steam turbines that run hotter, and at greater pressures.

A third task for which significant technological advancement has been achieved is turbine modernisation for existing coal-fired and nuclear power plants, notes Siemens.

In contrast to the rivalry in the gas turbine market, where it is possible to identify clear leaders, the steam turbine market has many more players, and there is no obvious technology leader. "It's a very close race," says Mr Hans Levander, senior vice-president for technology at Asea Brown Boveri's power plants business.

Along with European and US producers, all of which are working along much the same lines, the Japanese have also been active. One of the most sophisticated designs, for a 700MW double reheat turbine powered by "supercritical" steam, was developed by three scientists at Toshiba and won an award in 1991 from the UK's Institution of Mechanical Engineers.

The reason for the activity is simple. "If the competition can produce a 1 per cent better heat rate, you won't get the order," says Mr Michael Barrett, managing director of GEC Alsthom's large steam turbines division. "That applies to coal-fired generation and combined cycle."

There are two broad types of steam turbine, impulse and reaction turbines, which differ in the way that the blades interact with the steam flow. GE, GEC Alsthom, Toshiba and Hitachi produce the impulse type while ABB, Siemens Westinghouse and Mitsubishi have opted for reaction turbines.

Proponents of each type tend to say theirs is better, says Mr Barrett, but the fact remains that both types have survived, and each is capable of further development.

The key challenge for steam turbine technologists is to increase thermal efficiency without sacrificing reliability, flexibility or environmental performance. All these factors – and in particular the emissions performance – depend on the choice of boiler too, of course.

Increasing the "cycle efficiency" of the turbine is a question of raising steam pressures and temperatures at the inlet of the machine, to get more work out of the series of turbines and increase the torque of the turbine rotor (this turns the rotor in the generator to produce the power).

A typical European steam turbine of the 1970s and 1980s would have an inlet pressure of 165 bar and a temperature of 565°C. Mr Levander says there is renewed interest in steam turbines over 580°C with reheat and double reheat of the steam via return trips to the boiler. GEC Alsthom this month won contracts for steam turbines at two Danish power stations which will operate at 285 bar and 580°C, and there are other designs where the temperature is nearing 600°C, says Mr Barrett.

The steam is said to be "supercritical" above pressures of 221.2bar and temperatures of 540°C and higher. Beyond this threshold, the transition from water to steam is continuous and the steam becomes a much more efficient carrier of heat.

The effect of such developments is to increase the thermal efficiency – the amount of energy produced per unit of fuel burnt – from the high 30s to the mid40s in percentage terms. Claims of 46 or 47 per cent efficiency are being made for some stations in Denmark.

In the US, GE has developed what it calls an ultrasupercritical steam turbine, suitable for conditions of 300 bar and about 595°C, as part of a project funded by the Electric Power Research Institute. According to GE, the design, in conjunction with an advanced boiler design, can deliver higher efficiency and reduced emissions per KW produced than turbines and plants employing conventional subcritical and supercritical steam cycles.

These temperatures may look puny compared with the 1200-1300°C of gas turbines, but the technologies are completely different – although there are some spin-offs for steam turbines from aero-derived developments in gas turbine design.

For steam turbines, achieving the higher efficiencies available in theory from supercritical conditions has several implications in practical terms.

All the producers believe there are further opportunities for improving efficiency

Advanced steel materials are needed for casings, rotors and buckets due to the high pressure and temperature requirements, says GE. Erosion is a big problem in steam turbines, so new steam path coatings with improved adhesion and solid particle erosion resistance have been developed.

Mr Levander says ferritic steels have now been developed which can cope with the higher temperatures, avoiding the extra cost and some technical problems associated with austenitic steels. The next phase of materials development will see a concentration on sophisticated steel alloys with 9 or 12 per cent chrome, says Mr Raymond Lawrence, engineering and operations director at Parsons Turbine Generators.

Blade design is also crucial to better overall performance. Improved computational methods, measuring techniques and manufacturing technology are contributing to the introduction of advanced three-dimensional blading, says Mr Levander. Similarly, says GE, the aerodynamics of other components such as valves, inlets and exhaust hoods have been improved, due to advances in computational fluid dynamic (CFD) computer codes.

Additionally, says Mr Barrett, turbine clearances (the gap between the tip of the blades and the casing) have been made much tighter to reduce steam leakage, and sealings have been improved.

A second very important trend in steam turbines is towards reduced size of the overall machine, thus lowering the cost for the utility and the space required to site the turbine. A typical 500MW steam turbine in use in the UK might have one high-pressure turbine casing, one intermediate and three low pressure casings, but modern designs make it possible to have a combined high/intermediate turbine and a single low-pressure section, says Mr Barrett.

A number of producers point out the significance for this trend of the ability to make longer blades or buckets for the last (low-pressure) stage of the turbines – due to new manufacturing methods and materials, especially titanium. Longer blades have the effect of increasing the exhaust area, and thus removing the need for two low-pressure stages. Titanium blades and buckets up to 1360mm are available, such as the last-stage buckets on GE's steam turbines for a Tokyo Electric Power nuclear plant.

For larger turbines, this trend means that turbines which were previously configured as three-casing machines with four steam flows can now be configured as two casing, double flow machines, says GE. Similarly, the output of the smaller single flow, single-casing units has been increased.

All these trends have an impact on the repowering market as well as that for new equipment. Siemens cites the example of its replacement of the low-pressure steam turbine in the 1300MW Unterweser nuclear power station near Bremen, increasing output by more than 50MW at constant thermal power of the reactor.

The plant's total efficiency was increased from 35 per cent to 36.5 per cent through the addition of one blade row per flow, advanced blade profiles for all stages, and the optimisation of the exhaust flow conditions.

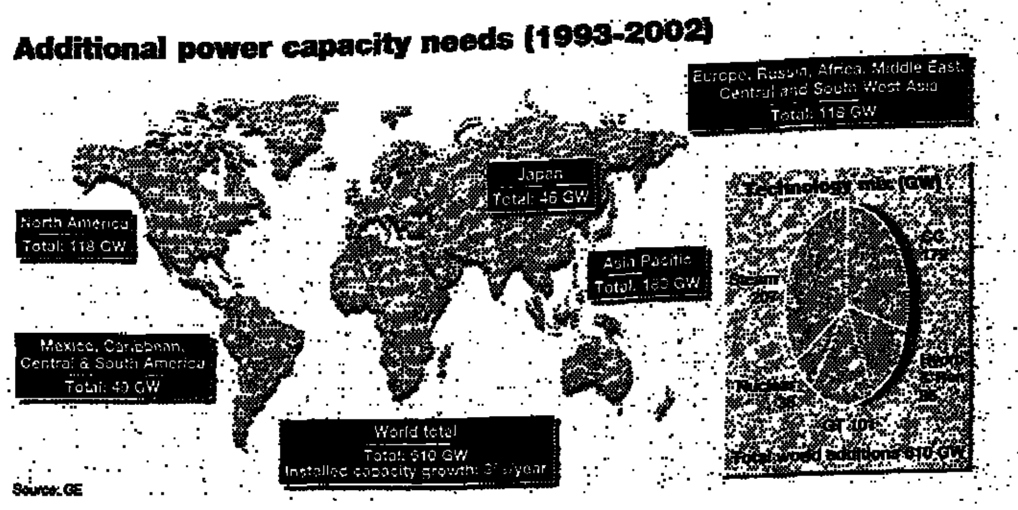
All the producers believe there are further opportunities for improving the efficiency of steam turbines – Mr Barrett says the technology has yet to reach the point of diminishing returns.

The next few years seem likely to see a continuation of the present focus on improved efficiency and compactness (or power density as it is known). "It is hard to come up with a quantum leap on the steam side," says Mr Del Williamson at GE.

Steam turbines will, therefore, make some contribution to one of the biggest technological challenges for the power equipment industry – further improving the thermal efficiency of combined cycle power which is currently hovering at about 55 per cent.

Efficiency gains could come either from the gas turbine or the steam turbine, says Mr Williamson. Competitors agree, although the majority feel that, as befits a less mature technology, the efficiency of gas turbines will probably rise faster.

Additional power capacity needs (1993-2002)



Source: GE

US expansion should not be underrated, says **Andrew Baxter**

Even a little means a lot

The US market for power generating equipment tends to be ignored by the media in all the excitement about Asian prospects, but even a modest growth rate in percentage terms can provide a healthy business if built on a big enough base.

The forecasts for the next decade by General Electric and Westinghouse, the two dominant US suppliers, differ slightly in numerical terms but agree on a key point – that the US remains an attractive market, worth at least $5bn a year for the next decade.

Westinghouse forecasts a peak power demand growth rate of 2.2 per cent over the next decade, equating to total orders exceeding 141GW, more than 20 per cent of the existing US generating base. Of this, about 15GW will be replacing existing capacity.

The Orlando-based supplier says utility investments in existing capacity will also help meet rising demand. By the end of the decade, says Westinghouse, about 25 per cent of the installed thermal capacity in the US will be more than 30 years old, and candidates for life extension, modernisation, uprating and repowering programmes.

GE, based at Schenectady, forecasts total capacity additions of 105GW for the US market over the same period from 1993-2002, and believes that required resources will start to outpace committed resources shortly. The forecast is almost double the 46GW which GE sees being added in Japan over the same period, although it is surpassed by the 180GW predicted for the Asia Pacific region.

It forecasts total US orders for power plant at 154GW for the decade, which includes equipment that will not come into service until after 2002.

About 12-15 per cent of the market will be equipment for repowering existing power stations, and the rest will be for greenfield sites or for additions to existing sites, says Mr Del Williamson, vice-president for sales at GE Industrial & Power Systems.

GE's projections for the US assume a load growth of 2.5 per cent a year, a 20 per cent reserve margin – the gap between the utilities capacity and the power load – 2GW of Canadian imports and 2GW of net retirements.

The national average of 2.5 per cent annual load growth, coupled with a declining reserve margin, produces a forecast growth in capacity of 1.9 per cent a year. The most important region by far is predicted to be the south-east, where GE forecasts uncommitted needs of 30GW and total orders of 44GW.

Predictions for the types of power equipment to be sold also coincide

Predictions for the types of power equipment to be sold also coincide broadly, with combustion or gas turbines clearly dominant. Of GE's forecast for 105GW of total capacity additions, 64GW is combined cycle, 25GW is gas turbines, 12GW is steam turbines, 3GW will come from hydro-electricity and renewables and just one GW from nuclear power.

Westinghouse's forecasts for the type of new power plants are shown in the accompanying chart, which also shows graphically why combustion turbines are predicted to take some two-thirds of the market.

Apart from the fact that gas has become the fuel of choice, combustion turbines are particularly suited to the independent power producers which want new capacity on stream fast, and which, it is predicted, will account for more than 50 per cent of the power generation market. Almost all the IPP orders are for baseload combined-cycle stations, says Mr Williamson.

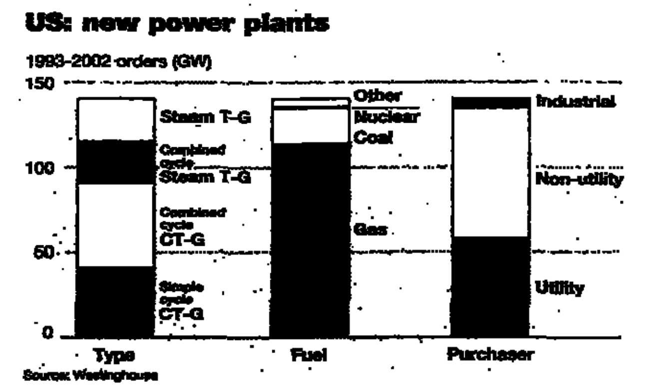
Mr Frank Bakos, vice-president and general manager of Westinghouse's power generation business unit, says the traditional utilities are also finding combined cycle power attractive. And Mr Randy Zwirn, general manager of the unit's power generation projects division, notes a trend for power producers to start with a simple or open cycle combustion turbine, which can be completed in a matter of months, and leave room for a subsequent conversion to combined cycle.

Coal-fired generating equipment looks like accounting for no more than about 15 per cent of the US market over the next decade, but could become less "traditional" in equipment terms as clean coal technologies such as integrated gasification combined cycle (IGCC) take hold.

At present, says Mr Williamson, the extra capital cost and fuel prices are restraining interest in IGCC.

The market for new nuclear plants, in contrast, is now firmly closed, but there are signs that the door could be at least slightly ajar by the end of the century.

US: new power plants



Source: Westinghouse

Last month, Westinghouse and a group of 16 US utilities signed a contract to invest $158m over the next five years in the detailed engineering needed to build the Westinghouse AP600, a standardised 600MW pressurised water reactor design.

The investment is supported by the US Department of Energy, and is important not only for Westinghouse but as an indicator of an eventual future for new nuclear plants in the US. GE won a similar competition for a large advanced boiling water (ABW) design, but neither supplier is exactly holding its breath for new business.

As with most countries that have a developed power equipment industry, domestic producers dominate the market. That is not to say, however, that the market is closed – it has historically been one of the most open.

Westinghouse and GE have about 70-75 per cent of the gas turbine market and 80 per cent of the steam turbine market. These figures have not changed much in recent years but both ABB and Siemens are trying to expand their presence in the US power equipment market.

ABB already has significant manufacturing facilities in the US and recent successes include the boiler and other equipment for a $300m coal-fired cogeneration project in Maryland and a $130m order from two Kentucky utilities for six gas turbines.

Siemens is stepping up its interest in the US, which it sees as an important growth market. By the end of the 1990s, it plans for 20 per cent of its entire KWU business to be in the US – already, the US accounts for 20 per cent of foreign business.

The German company has been spurred by factors including modernisation and service life extension of thermal and hydroelectric plant, demand for new thermal power plants, and topping and repowering of existing steam power plants.

In particular, says Mr Hans Böhm, vice-president of Siemens and a member of the KWU group executive management, "we have stepped up our activity on the gas turbine side." Two years ago, Siemens bought A-C Equipment Services, the former service division of Allis-Chalmers, in Milwaukee, where it is now making gas turbines for the US and other markets that use the same 60 Hz frequency.

Profile: Westinghouse Electric

A controlled and careful fightback

The Westinghouse Electric name is one of the most famous in the power equipment industry but is currently more likely to be associated with the company's troubles in financial services or the seven-year legal wrangle with the Philippines over the Bataan Peninsula nuclear plant.

Not for the first time, some of Westinghouse's competitors in the power generating equipment industry have been trying to exploit the recent adverse publicity by suggesting the US company's long-term commitment to the power industry is in doubt.

That rankles with Mr Frank Bakos, vice-president and general manager of the Westinghouse power generation business unit. "Enough is enough," he says. "We are doing fine."

Power generation is the biggest part of Westinghouse's power systems business, which also includes the nuclear and process control businesses. Overall, power systems has grown about 44 per cent in the past three years, contributing 35 per cent or $2.9bn to Westinghouse's revenues last year.

This achievement is a measure, in particular, of the transformation in the fortunes of the power generation business, which had reached a low point by 1988, says Mr Bakos.

Over the previous three years, the business had been through considerable management upheaval, and two wrenching closures of "dinosaur" factories in East Pittsburgh and Lester, Pennsylvania – each of them a massive 4m sq feet in size. Crucially, though, Westinghouse had also withdrawn in 1986 from the production of combustion turbines in the US.

However, as the combustion (i.e. gas) turbine market – for open cycle or combined cycle application – pulled the industry out of its doldrums, Westinghouse found itself "in the right church, but the wrong pew," as Mr Bakos puts it.

What has happened in the past three years is a careful, controlled fightback. At the core of the strategy has been the three-way alliance in combustion turbines with Mitsubishi Heavy Industries of Japan and FiatAvio of Italy. Westinghouse, fortunately, had remained committed to designing gas turbines throughout the period of non-production in the US.

The network allows the three companies to build turbines to the same design in three locations, sharing development work and building on each other's strengths and capabilities. This was one way in which Westinghouse was able to produce its first US gas turbine again in 1991, only 17 months after taking the important decision in 1989 to restart production.

Another crucial element, however, has been the manufacturing strategy. The concept of a "Great North American Factory," where several plants work together on a product by concentrating on their core competences, has come into its own over the past three years.

Factories from Hamilton, Ontario to Charlotte, North Carolina and Pensacola, Florida are involved in the production of combustion turbines, with no new bricks or mortar required.

Sales in the Orlando-based power generation business unit have grown from $700m to $1.7bn in five years and the business is becoming increasingly international

Building a new factory would have cost $120m-$150m, says Mr Bakos, considerably more than has been spent on upgrading facilities. Although Westinghouse cannot produce as many gas turbines as arch-rival General Electric, it is cost-competitive even when producing only 24 a year, he says.

The move southwards, away from the unionised plants of the north-east, to plants such as Charlotte and Pensacola has clearly been a big benefit for Westinghouse (as it has been, at GE). A flexible, non-union workforce has been a big element in the all-important reduction of cycle times.

At the project level, too, the company is attempting to reduce lead times from order to operation. Mr Randy Zwirn, general manager of the power generation projects division, says the goal is 20 months for a combined cycle plant – achieved by reducing the level of "first time engineering" to about 25 per cent of the project and raising the level of repeatability. "That helps you drive the cost down," he says.

Sales in the Orlando-based power generation business unit have grown from $700m to $1.7bn in five years, and the business is becoming increasingly international – 60 per cent of new plant orders last year were non-US. In the world combustion turbine generator market, the three-way alliance has moved from the number five position in 1987 to claim number two spot last year with a 20 per cent share.

One of the biggest recent power contracts won by Westinghouse – in consortium with Mitsubishi – was for Enron's 1725MW Teesside plant, the largest combined cycle plant in Europe. Performance to date is 1,840MW, says Westinghouse.

But smaller orders also bode well for the future. An example was a brace of contracts announced in November and worth $80m in total, to supply generating equipment to companies in Peru and Venezuela.

The turnround in the power generation business has changed the profile of Westinghouse's power systems business. Power generation took over from the nuclear business in 1991 as the biggest single element of power systems, but the nuclear and process control segments, grouped together as energy systems, has also had some notable successes recently.

The new plants side of the nuclear business is relatively quiet, but the great advantage for Westinghouse is its unrivalled installed base of nuclear plants which need regular servicing and support – 173 of the 400 plants worldwide were either supplied by Westinghouse or based on its technology.

Along with its successful nuclear fuel business, this means that the nuclear side can run profitably even without new orders, says Mr Nat Woodson, vice-president and general manager of the energy systems business unit.

The process control division has also distinguished itself by building the instrumentation and control system for the Sizewell B nuclear plant at Suffolk – at short notice after a French supplier's contract was cancelled in 1991.

Mrs Ann Pauley, general manager of the process control division, is targetting Poland and Czechoslovakia as the likeliest east European countries to be able to buy Westinghouse's sophisticated control systems – for nuclear or conventional power plants. Already the business is doing $5m-$10m a year of business in Poland.

In spite of these successes, however, the power generation business unit seems likely to become an increasingly important part of Westinghouse power systems. In this it will be helped by last year's multi-faceted agreement with Rolls-Royce. The UK company's aero-engine technology will be applied to Westinghouse's next generation of large gas turbines, helping it maintain its much improved position in increasingly competitive and global markets.

Andrew Baxter

China is aiming for an extra 100,000 megawatts in the 1990s, writes **Frank Gray**

Doors opened to foreign investment

China's energy planners are confident they will be able to add nearly 100,000MW of power generating capacity to the grid system by the end of the decade.

They are counting on accelerated inputs from foreign private sector investors to help achieve this ambitious target.

According to energy officials, a total of 12,000-15,000MW of new capacity are being planned for each year for at least the next decade, the major proportion destined for the rapidly industrialising regions in southern and eastern China.

Large power stations are also planned at coalfields in the interior.

These will require a major extension of transmission lines to shift electricity to the industrial centres. But this adjustment in the location of some new installations will also ease the burden on China's overtaxed rail coal haulage system and gradually minimise coal supply problems at far-distant power stations.

The growth, if attained, will bring China's installed capacity to 265,000MW, against the current level of approximately 165,000MW.

According to Han Ying, China's vice-minister for coal, the mix will continue to be dominated by coal – some 70 per cent of China's power capacity is coal-fired. Annual coal production is expected to rise to 1.4bn tonnes per year by 2000 compared with 1.1bn tonnes last year.

The closing of inefficient pits and the commercialisation of the coal-mining industry could lead to some new thermal projects using other fuel sources. Most of the balance is derived from hydroelectric power – China has Asia's biggest rivers – and preliminary work is already under way on the world's largest hydroelectric project, the 17,000MW Three Gorges scheme on the Upper Yangtse.

The China Yangtse Three Gorges Project Development Corp. is now organising the bidding, which will be open to domestic and foreign contractors. First power from the complex could be on line early in the next decade.

China's first power generating reactor went on line at Qinshan, near Shanghai, last year

A third factor in the generating mix is nuclear. Later this year, the first half of the 1,900MW Daya Bay nuclear power project in Guangdong Province near Hong Kong will go on line, to be followed a year later by phase two. The complex is being built by a consortium of the Anglo-French GEC-Alsthom, and the French companies, Framatome, Electricité de France and Campenon Bernard.

The Daya Bay complex is expected to be succeeded by another of similar size in southeast China, to be built by foreign companies, which have not yet been designated.

China's first power generating reactor, a 300MW unit, went on line at Qinshan, near Shanghai, last year. The Qinshan plant is largely homegrown. A second is planned as part of a programme to add five new reactors with 3,300MW of capacity to the system by the early 2000s. All will be built in the northeast or the southeast.

The long lead times for nuclear and hydroelectric mean that there are growing opportunities for non-coal thermal projects, not a significant factor at present. For example, the ABB Group recently announced a 300MW combined cycle contract on behalf of Hong Kong interests for a plant to be set up in southern China. "The average installation time for combined cycle is 18-24 months, whereas coal stations, which normally are much larger, take 36-48 months to install," an ABB official said.

Given China's 1.1bn population and a birth rate of 17m births a year, analysts say the major challenge will be on funding infrastructure projects. The central and regional power authorities have partially dealt with this by throwing open their doors to foreign investment, not just minority holdings in joint ventures but full ownership.

They appear to have accepted in principle the need to establish a commercial approach to tariff rates, without which private sector involvement in the growth programme will dry up.

The private sector phenomenon stems from the success of Hong Kong's Hopewell Group

Mr R.T. Fox, vice-chairman, Kleinwort Benson merchant bank, said in Beijing recently that he was encouraged by China's flexibility. "Ownership of a power project can vary from 100 per cent Chinese to 100 per cent foreign; the life the venture can be 10 years, 20 years or with no transfer date foreseen."

The private sector phenomenon stems from the success of Hong Kong's Hopewell Group, which formed two build-operate-transfer (BOT) projects in southern China, the long-completed 700MW Shajiao B scheme and the new 1,980MW Shajiao C scheme, now under construction.

Under these, Hopewell and partners build the plant and sell electricity at commercial rates to the local grid, turning the project back to Chinese ownership after a decade or so of ownership. Since then, BOT and other schemes with indefinite ownership for foreign companies have flourished.

In fast-growing Guangdong province, virtually all the 68,000MW of power stations to be installed over the longer term could, it is suggested, have some private sector involvement.

The International Finance Corp., the private sector wing of the World Bank, has opened an office in Beijing. Sir William Ryrie, IFC vice-president, said the institution would provide $600m to help finance projects with a total cost of $3bn over the next three years. The Asian Development Bank says China's concessional rate borrowings could be as much as $1bn per year.

The World Energy Council has cautioned against over-optimism, suggesting the realistic tariffs hurdle still remained formidable.

As of last year, electricity shortages were about 20 per cent of prospective demand. "A total of 32 counties remain without electricity supply, but the average electricity price paid by urban consumers is only about 3 cents per kilowatt hour, well below the cost of production."

☐ Frank Gray is the editor of *Power in Asia*

IRAN: Post-war build-up needs more power, says **Jim Millard**

Energy and the ayatollahs

Since 1988, at the end of the war with Iraq, Iran's industrial activity has ballooned from 30 per cent of capacity to nearly 100 per cent as it struggles to repair past damage and meet the demands of the present for a population of some 55m people.

The government recognises that an adequate level of electrification, both in generation and transmission/distribution capacity, is crucial to the success of its economic reforms.

In the industrial sector, where power remains heavily subsidised, the emergence of heavy industries such as steel, aluminium, and petrochemical refining have helped to boost demand to an unprecedented 20 per cent annually. Overall, most observers see total demand continuing to grow at 10 per cent or more a year for the rest of the decade.

The two Five Year Plans published in 1988 and covering the period to 1998 show that Iran has allocated some $12bn of its future foreign currency earnings to the electricity sector, $6.8bn during the first Plan and $5.5bn during the second. There is also a significant sum representing goods and services purchased with local currency or through supplier credits.

The exact value of the country's power generation equipment market (which forms the bulk of its electricity sector spending but excludes downstream industries such as transmission and distribution equipment) over the same period is less easy to determine. But it can be estimated by costing the ministry of energy's proposals for broadening the base and peak load generating capacity from around 13,200MW in early 1992 to an extremely ambitious 34,000MW by end-1998.

Averaging the expense of a mix of thermal, gas-fired and hydroelectric plants at a conservative $1,000 per installed kilowatt produces a future gross figure of about $3bn a year of which local contracting and supply might account for 30-40 per cent.

Although the present tight budgetary conditions, introduced to cushion the blow of the government's decision to devalue the rial, mean that such figures are probably slightly ambitious, western suppliers are under no illusions that Iran is by far the most significant market in the Middle East region.

According to the ministry's power planning bureau, the total capacity of plants under construction at any given moment totals 80 per cent or more of the capacity currently in operation.

The government has little option but to press on, as power failures and brownouts are already a reality. It is a telling reminder of the scale of the challenge that even if all the 30-odd power plants involved in the programme are commissioned on schedule, the ministry does not expect to enjoy any surplus capacity until 1997 at the earliest.

The ministry of energy has mapped out a programme to meet both the urgent short-term undercapacity that threatened to strangle any hope of economic revival and provide cost-effective generation in the medium term and beyond.

The last five years saw the widespread installation of simple cycle gas turbine sets of 90-125MW units which can be easily incorporated into older (pre-1980) thermal plants for immediate connection to the transmission grid. Many will subsequently be converted to combined cycle gas turbine (CCGT) use by adding waste heat recovery boilers and steam turbines.

By contrast the next five years will see the emergence of a mixed bag of thermal, combined cycle, and hydroelectric projects, the latter comprising four major projects on the Karun river in the south-west, and a 1,000MW pumped storage plant at Siabisheh on the Caspian sea in the north.

However, large hydroelectric schemes cost around $1,500 per kilowatt. The completion of the Karun-3 (3,000MW) and Karun-4 (2,000MW) stations depends on Ab-Niroo, the ministry's hydro wing, securing sufficient foreign loans and supplier credits.

There is mounting evidence that Iran may have trouble raising the necessary funds for several of these megaprojects

The government already has permission from the majlis (parliament) to raise up to $3bn in loans and credits to help provide for both Karun plants, Siabisheh, and a 1,000MW extension to Karun-1.

While a consortium comprising ABB Kraftwerke, Voest and Sulzer has secured the contract for the primary equipment orders for the Karun-3 hydro-electric plant, Japanese companies are tipped to win the primary contracts for the Karun-4 plant on the back of Japan's propensity to offer finance when others are increasingly reluctant to do so. Japan is expected to confirm shortly its decision to provide a $325m loan for Karun-4 through its official development assistance (ODA) programme.

However, there is evidence that Iran may have trouble raising the necessary funds for several of these megaprojects – possibly deferring commissioning by years. US opposition to any further World Bank power sector loans is compounded by Tehran's view that many of the Bank's conditions, such as institutional reform and higher electricity tariffs, are unacceptable.

Nonetheless, a $165m loan to the Tehran Regional Electricity Company (TREC) was approved by the Bank at the end of April to cover a range of electrification projects including part of the upgrade of the Qom power plant from open-cycle to combined-cycle.

Any significant borrowing difficulties could impact seriously on the ministry's plans. "Karun-3 is undoubtedly our top priority at this time", says Mousa Refan, chairman and managing director of state-controlled Ab-Niroo – also known as the Iran Water and Power Resources Development Company (IPWC).

Large thermal plants will also play a significant role. Work has now started on a $450m turnkey oil and gas-fired plant at Arak in the west of the country. An international consortium comprising Canadian companies Babcock & Wilcox and Howden Group Canada, and Nuova Cimimmontubi (Italy) and GEC Alsthom (UK-France) will be supplying the 2 x 550MW plant for commissioning in 1996.

In the short term, however, orders will continue to be for simple gas turbine and CCGT type stations such as Gilan (1,350MW) in the north, and Shahid Montazer Ghaem (1,080MW) and Shahid Rajaei (1,080MW) near Karaj, west of Tehran.

In March, Tavanir, the state utility responsible for all power generation outside Tehran, took delivery of the last of 14 PG9001/E gas turbines supplied under a $350m deal with John Brown Engineering of Scotland. Rated 124MW each, the turbines are to be installed at the Shahid Rajaei, Shiraz, and Shariati plants, where they will later be converted to combined cycle operation.

Anglo-French power group GEC Alsthom also completed delivery of a similar size order for the 14 complementary 125MW generators.

Siemens KWU of Germany has also thrived in Iran, securing contracts or letters of intent for the Gilan and Tehran South (proposed 2,400MW) stations, although past controversy may yet return to haunt the company in the form of Iranian litigation over the incomplete 1,300MW nuclear station at Bushehr, abandoned by KWU at the start of the Gulf war.

Through its Atomic Energy Organisation (AEO), the Iranian government has already spent an estimated $3.6bn on the plant, now blocked by the German government's refusal to grant export licences for crucial equipment.

This impasse was sorely tested towards the end of last year when the Qeshm island Free Trade Authority, flagship of Iran's free market experiment, signed a letter of agreement with Siemens for the finance and construction of the first of four 250MW CCGT units. Under the terms of the agreement, Siemens will invest some $340m into the project, which it will continue to operate on a build-operate-transfer (BOT) basis.

If the government bows to AEO pressure to penalise Siemens, either through trade sanctions or by intervening to block the Qeshm deal, it stands to lose much of its credibility with potential foreign investors. Observers see the most likely outcome to be some form of compensation whereby Iran recovers some of its lost capital to reinvest in other programmes, while Germany protects its position as Iran's premier trade nation.

☐ Jim Millard is deputy editor of *Middle East Electricity*

FINANCIAL TIMES SURVEY

PHILIPPINES

■ Radical economic reforms are a high priority for the new administration: PAGE 2

■ President Fidel Ramos wins allies in a quest for political stability: PAGE 3

SECTION IV

Tuesday May 25 1993

Since coming to power last year with a less than overwhelming mandate, President Fidel Ramos has nevertheless managed to prompt a renewal of hope among Filipinos and foreign investors alike. But it is far too early to talk of optimism on the troubled economic front, reports **Victor Mallet**

A long way still to go

IT is hardly surprising that Filipinos spend much of their time looking back nostalgically to the 1950s when their economy was one of the strongest in Asia: the present is often too depressing to contemplate.

As if it were not enough to have watched the dynamic, export-driven economies of their south-east Asian neighbours one by one overtaking the Philippines, the inhabitants of the capital Manila are now being subjected to the added humiliation of all-day power cuts and a surge in kidnapping and violent crime.

Visit the office of a Filipino businessman or government official in Manila, and the chances are that you will find him cursing and sweating in the summer heat without the benefit of air-conditioning. The previous administration of Mrs Corazon Aquino, who toppled the late dictator Ferdinand Marcos in 1986, neglected to invest in new power stations.

The arrival of Mr Fidel Ramos in the Malacanang presidential palace has prompted a growing number of Filipinos and foreign investors to look to the future with renewed hope, although it is too early to talk of optimism.

The cigar-chewing President Ramos, the general who as armed forces chief protected Mrs Aquino from seven attempted *coups d'etat* by right-wing military rebels, was her chosen presidential candidate in the May 1992 elections. He won with only 23 per cent of the vote, beating six rivals including Mrs Miriam Santiago, the anti-corruption campaigner, Mrs Imelda Marcos, the dictator's flamboyant widow, and Mr Eduardo Cojuangco, a Marcos "crony."

Since coming to power in June with this less-than-overwhelming mandate, Mr Ramos has successfully consolidated his support among Filipinos by touring the country and addressing public rallies; by attempting to make peace with a variety of rebels, including the right-wing military officers, the communists and the Moslem separatists in the south; by reshuffling the leadership of the notoriously corrupt police force (some of whose officers were accused of taking part in the kidnappings of ethnic Chinese and foreign businessmen) and appointing Mr Joseph Estrada, the vice-president and former film star, as head of an anti-crime force; and above all by making alliances in the Congress which had so often stymied his predecessor Mrs Aquino.

This congressional support allowed Mr Ramos to grant himself special powers in April under the Electric Power Crisis Law to deal with the electricity shortage.

He will be able to push through new power station projects and to bypass the country's notoriously slow procedures for screening bids and granting environmental clearance certificates. The new law also gives him the right to raise electricity prices – an option previously blocked by a Supreme Court ruling – and thereby satisfy International Monetary Fund and World Bank conditions for a new international lending programme.

The public debate over the new law, conducted with a vigour and openness so lacking in most other south-east Asian countries, goes to the heart of the Philippine dilemma.

On one side of the argument are the disciplinarians, including many businessmen, who believe that the Philippines should pay more attention to discipline and law enforcement than to the kind of freedom and democracy – characterised by interminable lawsuits – that the country inherited from the US, the former colonial power.

These disciplinarians nodded approvingly when Mr Lee Kuan Yew, the founding father of Singapore, expounded his gospel of authoritarianism on a recent visit to Manila at the invitation of the Philippine Chamber of Commerce and Industry; they also generally approve of the granting of special powers to Mr Ramos to deal with the electricity crisis, and would probably agree with the local newspaper columnist who joked that the Philippines suffers from being a member of a special kind of NATO: "No Action, Talk Only."

On the other side are the libertarians. They fear that such special powers could be the thin end of a wedge which might eventually open the door to a new dictatorship, thus throwing away the hard-won gains of the uprising that put an end to the Marcos era. The waiving of regulations on bidding, they add, is an invitation to further corruption.

President Ramos's relaxed and undictatorial demeanour – as well as the evident and urgent need both to crack down on crime and build new power stations – has helped to calm such fears. If anything, his supporters want Mr Ramos, known as "Steady Eddie" because of his methodical ways, to move quicker to restore the country's fortunes.


In the sprawling, dusty streets of Manila, most Filipinos are still awaiting prosperity. Pictured here is the busy open air market in the Quinpo district of the capital Picture by Patrick Nagaishi Lucero

Notwithstanding the lack of new power stations, Mrs Aquino did attempt in her last two years in office to restore the health of the Philippine economy with a series of measures liberalising imports and foreign investment rules, and Mr Ramos has been able to build on that in an attempt to compete with capital-hungry Indonesia, China and Vietnam for foreign investors.

Following the departure of US forces from their bases in the Philippines, and the associated loss of hundreds of millions of dollars each year in revenue, Mr Ramos has assiduously courted Japanese and other Asian investors with a round of overseas visits.

In August last year he dismantled foreign exchange controls on current transactions, and in an effort to boost the economy this year the administration has embarked on a "pump-priming" exercise of doubtful value whereby government departments were supposed to weight their spending on roads, housing and other infrastructure towards the first half of the year.

After zero economic growth and a poor performance by the agricultural sector last year, the government initially aimed for a 4.5 per cent rise in real gross domestic product this year, but most businessmen and diplomats regard the target as unreachable because of the crippling blow to industry delivered by the power crisis on the principal island of Luzon. At best, they say, the economy is likely to grow by two per cent; that compares with a population growth rate of 2.4 per cent and would mean that the average Filipino will continue to get poorer in 1993.

But the economy is showing a number of promising signs, so much so that the peso actually strengthened for a time following the foreign exchange liberalisation as dollars from overseas workers, tourists, property speculators and stock market investors flooded into the market.

The relatively strong peso has made life even harder for exporters, but they can at least take comfort from the fact that inflation has been restrained below 10 per cent and worker militancy has decreased. The outflow of dollars to service the country's $30bn of foreign debt has fallen to below 20 per cent of export earnings, and the World Bank has redesignated the Philippines as a "moderately indebted" (rather than "severely indebted") developing country.

After frantically buying dollars to control the rise of the peso, the central bank has $6bn of reserves and has been buying back Philippine debt at a discount on the international market; there is a further $5bn of foreign exchange in the commercial banking system.

In February, the Philippines successfully borrowed $150m on the eurobond market after an absence of more than a decade, and hopes to borrow more. Negotiations are due to resume shortly with the IMF for an extended fund facility of $900m-$1bn over three years, which would pave the way for a delayed Paris Club rescheduling of bilateral debt and other borrowing agreements.

"This will be our last programme involving a special relationship with the IMF, where we are in effect wards of the IMF," said Mr Ramon del Rosario, the finance secretary, in an interview with the Financial Times. "We are approaching a situation where we can be back on our own."

OUTSIDE the capital, some areas – notably on the island of Cebu and along the industrial corridor south of Manila – have succeeded in attracting foreign investors and developing export industries.

Mr Ramos, however, will face many obstacles as he struggles to achieve his aim of achieving double-digit economic growth by the end of his term in 1998. Although the country is probably more stable politically than at any time in the last decade, and some Filipinos have started to whisper that the days of *coups d'etat* are over, it would take a bold pundit to stake his reputation on such a prediction.

A large backlog of work also remains to be done in building and repairing the country's physical infrastructure, not just for power stations but also for roads and water supply. Economists estimate that the government's per capita real spending on infrastructure has fallen by about 40 per cent in the last decade; the traffic jams in Manila seem as bad as those in Bangkok – and Manila does not have the excuse of an economic boom.

Unsustainable population growth is another problem in this predominantly Roman

Turn to next page

■ THE ECONOMY: **Jose Galang** on prospects for sustainable growth

Reforms are a high priority

AFTER a decade marked by recession, government indecision and missed opportunities, the Philippine economy again seems to be preparing for a long-delayed take-off.

Economists believe the new government of President Fidel Ramos has a better chance than its predecessors of achieving sustainable economic growth, partly because it has inherited some healthy macroeconomic reforms from the previous administration.

Further, the ten-month-old government has demonstrated a keen determination to pursue crucial reforms – backed by the International Monetary Fund – to open the economy and pave the way for robust growth. In the past, similar attempts wilted amidst the politically destabilising effects of the reforms.

The medium-term outlook, however, will continue to be hampered by the inadequacy of the country's infrastructure. Among the worst problems are the shortage of electricity generating capacity and the inefficient transport systems in the archipelago of 7,100 islands.

In common with other developing countries, the Philippines has only scarce resources for its myriad programmes. Low domestic savings rates have been a chronic problem, which gives the country no recourse but to tap foreign financing. Even now the cost of servicing the country's foreign debt of some $30bn remains a large item on the budget. While efforts to reduce the debt burden continue, the government also needs to increase revenues by improving the efficiency of tax collection and boosting exports.

Beyond these roadblocks, however, the Ramos administration has set targets designed to put the economy on track towards modernisation as it steps into the next century.

The three main goals of the Ramos economic agenda are:

■ To raise economic growth rates to double digits by 1998.

■ To raise per capita income to at least $1,000, from about $730 at present.

■ To reduce poverty incidence to 30 per cent of the population, from about half now.

Mr Ramos and his economic managers, led by Mr Ramon del Rosario, the finance secretary, have already put market-opening policies in place. In August 1992 most restrictions on foreign-exchange transactions were lifted. This was followed in April this year by a decision to allow the use of medium and long-term foreign loans to cover exporters' costs, which previously was restricted to import costs of materials.

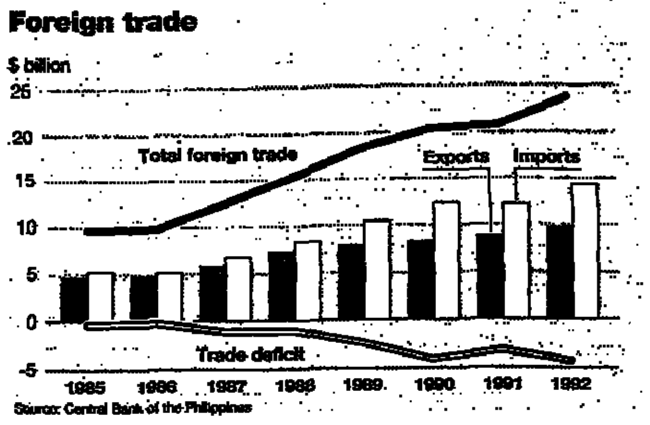
Among the policy measures initiated by the previous administration of Mrs Corazon Aquino is the Foreign Investment Act, which allows up to 100 per cent foreign equity in local enterprises. This is now being followed up by the new government with more specific measures to open up certain sectors previously restricted to Filipino interests, such as in land usage and minerals exploration.

The ongoing tariff reform programme has also reduced nominal import tariffs to an average 23 per cent, from about 42 per cent at the start of the 1980s. By 1995, the effective protection will be down further to 19 per cent, making the Philippines one of the most liberal markets in the region.

While the Aquino government's dissolution of monopolies in the agricultural sector early during its term saw almost immediate results in boosting farm incomes, the response to the Ramos administration's initial round of reforms has yet to be felt.

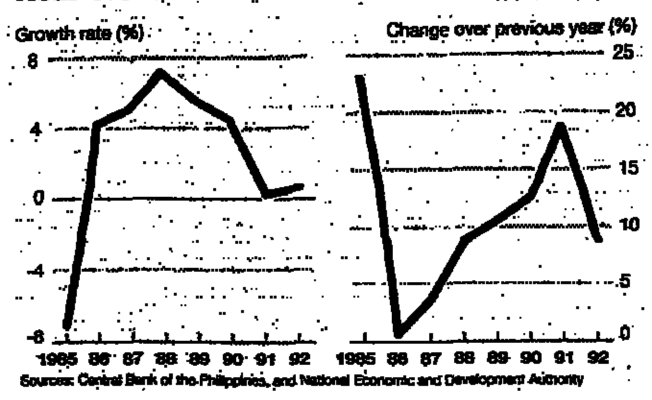
This is because of other fundamental problems, such as

Foreign trade



Source: Central Bank of the Philippines

Real GNP | **Inflation**



Sources: Central Bank of the Philippines, and National Economic and Development Authority

high domestic interest rates and the strength of the peso against the dollar over the last year. Inflation has been brought down to an average 8.9 per cent in 1992, from 18.7 in 1991, and the current programme targets a 1993 average of 7.5 per cent.

INTEREST rates softened in April, prompting speculators to sell the peso and boosting the stock market to a record high. Costs of financial intermediation have fallen with the reduced level of reserves that banks are required to hold against bank deposits and the increase in the amounts that state banks can lend in proportion to their deposit bases.

Even greater benefits are expected from the move to replace the Central Bank of the Philippines with a more independent Central Monetary Authority with a healthier financial base. The Central Bank's activities towards maintaining price stability are being hampered by huge deficits, particularly those incurred under the late dictator, Ferdinand Marcos. A law is expected to be passed by Congress by mid-year creating the new CMA. Without the crippling deficits, the new agency should be able to steer monetary expansion more efficiently.

Barring a further deterioration in the electric power situation, business expects a more favourable climate following these changes in the macroeconomic environment. However, given that the daily power failures are expected to continue to curtail operations until the third quarter of the year, overall economic growth is now forecast by independent economists at no more than 2.5 per cent, substantially lower than the government's forecast.

Mr Jose Pardo, president of the Philippine Chamber of Commerce and Industry, says: "Amidst the darkness [caused by power failures or 'outages'], we see somehow a growth in 1993 – perhaps the recovery that we had anticipated in 1992."

The more significant business expansion, Mr Pardo believes, can be expected to start next year. But even the slow rate of growth this year should not be a problem.

While government officials insist that the 4.5 per cent growth target this year is in fact "achievable," a low growth rate that is accompanied by suitable reform measures should over the long run be more beneficial for the Philippines. The economic "dragons" of East Asia, which the Philippines is using as models for its shift away from its current Latin American-type dilemma, started out with small growth rates on their way to rapid economic advance.

Besides, past experience shows that high-growth periods in the Philippines were usually cut short by balance-of-payments crises. This was due to the increase in consumption spending's share of GNP, as opposed to a healthier expansion supported by increased capital spending.

The government aims to channel increasing amounts into capital investments via an aggressive infrastructure projects. This year, for instance, it has front-loaded spendings for infrastructure projects in a "pump-priming" programme that will seek to increase capital expenditures and perk up domestic demand.

It would be short-sighted to judge the prospects for the Philippine economy purely on the outlook for electricity supplies. Agriculture, for instance, which is still the main source of livelihood for most Filipinos, is expected to record significant gains this year with the expected improvement in weather conditions. Crop production in the past two years had been affected by drought in most provinces and typhoons in others. The Department of Agriculture expects self-sufficiency in rice this year with production reaching 10m tonnes. Sugar output will also increase, with producers already looking at the attractive prices on the world market.

Remittances from Filipino overseas workers, estimated to top $2bn again this year, will continue to play a key role in the economy. In the past two years, the foreign exchange brought home by two million Filipinos employed abroad has helped offset the poor performance of the domestic economy. The growth in remittances has already outpaced that of exports, although this is likely to change if the exchange rate becomes favourable to exporters again.

KEY FACTS

Area	300,00 sq. km.
Population	62.9m
Head of State	Fidel Ramos
Currency	Philippine peso
Average Exchange Rate	1991 $1=27.479
	1992 $1=25.512

ECONOMY	1991	1992
Total GDP ($bn) [1]	50.6	50.1
Real GDP growth (%) [2]	-0.9	-0.4
Components of GDP (%) [3]		
Private consumption	73.9	76.5
Total investment	20.1	20.3
Government consumption	9.6	9.7
Exports	29.4	30.2
Imports	-31.6	-34.7
Inflation rate (%) [4]	18.7	9.0
Annual percentage growth in		
Narrow money (%) [5]	15.9	18.0
FT-A share price index (%) [6]	28.5	-1.6
At year end		
Reserves minus gold ($m)	3,246	4,403
Discount rate (%) [7]	10.75	9.38
Trade [8]		
Current account balance ($m)	-1,034	-1,144
Exports ($m)	8,840	9,100
Imports ($m)	12,051	13,386
Trade balance ($m)	-3,211	-4,286

Main trading partners (%) [9]	Exports	Imports
USA	35.9	20.4
Japan	20.2	19.7
Germany	5.7	3.8
UK	4.2	1.8
EC	18.9	10.3
Hong Kong	4.5	4.8

(1) 1992 estimate. (2) Full year 1991, Q1-3 1992 over Q1-3 1991. (3) Q1-3 1992. (4) Annual percentage increase in CPI. (5) Money. Full year 1991, Q1-3 1992 over Q1-3 1991. (6) Annual percentage increase in local currency at year end. (7) Discount rate at year end 91 and Nov 92. (8) Trade figures 1992 are Q1 plus Q2 92 at an annual rate. (9) Trading partners percentage share of trade in 1991.
Sources: IMF, Economist Intelligence Unit.

■ POWER FAILURES

Disruptions hit industry hard

THE power-cuts that paralyse industries and households in the Philippines' main island of Luzon for several hours daily have inflicted more damage to the economy than any of the natural calamities that regularly hit the country.

Losses in industrial production amounted to at least 20bn pesos in the first three months of this year due to these power cuts (or "brown-outs," as they are known locally), according to the "multi-sectoral task force on power," a group that has been monitoring the problem since 1990. Mr Raul Concepcion, task force chairman, says sales in the period fell by an average of 20-30 per cent. Most of those affected were small entrepreneurs, he adds.

In 1992, the economy failed to attain its target growth, due in large part to the power failures which disrupted 258 of the year's 297 working days. If the situation does not improve soon, economists fear that growth this year could again suffer grievously.

The main problem lies in the shortage of sufficient reserve power capacity to cope with shut-downs by the regular baseload plants, which are all old and prone to systems failure.

The government has not built new plants since the start of the construction in the late 1970s of the 620MW nuclear power plant in Bataan province. The plant, which was to have supplied 15 per cent of the Luzon power demand, was completed in 1986 but was mothballed by the previous government because of protests arising from safety fears and allegations of corruption in its construction.

Of the total national electric power-generating capacity of 6,000MW, the Luzon grid accounts for 4,400MW. However, in practice only about 2,500MW of the Luzon capacity is available because sections are under repair or being refurbished, and others, particularly the hydroelectric plants, have water-supply problems.

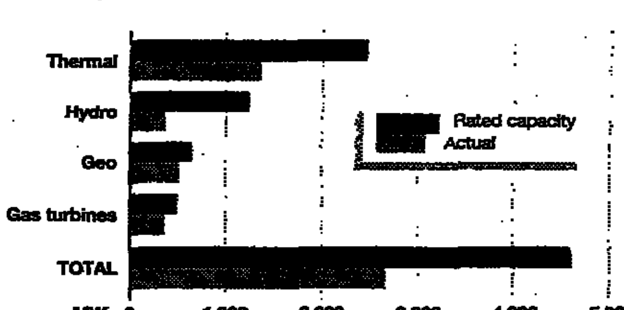
Given the peak demand of 3,200MW from its industrial and residential users, National Power Corporation (Napocor), the state-owned generating agency, already faces a shortage even before the day starts. Napocor thus has to ration what it can generate to its consumers.

Every 100MW of deficiency in the supply translates into another hour of power-failure a day. The deficiency has risen to around 800MW at the start of the Philippine summer in March. Around mid-April, the shortfall stood at about 500 MW.

In recent weeks, a variety of reasons have been given for power-plant failures. In one case, imported spare parts reportedly "did not fit"; in another, a cooling tower in a geothermal plant was damaged by fire which was blamed on "faulty electrical wiring."

Many companies have had to install their own generating sets, to reduce losses from shortened operating hours or spoilage of goods during processing, and the government estimates that total private generating capacity now exceeds 800MW. Most of the generators use diesel.

Plant performance against rated capacity



Source: Multisectoral Task Force on Power

Napocor has an ongoing "fast-track" programme to install, under build-operate-transfer arrangements with private groups, new capacities that will lead to reserves of some 500MW by September and to 600 MWby end-1993. The government hopes that the new plants will put an end to the power failures by September this year.

However, there is widespread scepticism, because of Napoco's poor track record.

The corporation had been seeking an increase in its rates, to be able to meet profitability standards required under its loan contracts with the World Bank. New financing is needed for its expansion plans, and any default in its loan commitments could cripple these plans.

It was in this environment that Mr Fidel Ramos, the Philippine president, sought "emergency powers" from Congress. While his request was granted, lingering fears over the "emergency powers" used by the martial-law regime of the late Ferdinand Marcos meant that the new powers won by Mr Ramos were tamer than those he originally sought, and were only for specific objectives.

One of these allows Napocor a higher return from its customers, a way of skirting round a Supreme Court freeze on an earlier rates increase. The extra powers should now pave the way for the construction of crucial baseload plants which will enhance the Luzon grid's capacity by some 1,300MW.

These plants use coal or geothermal energy, rather than oil or gas, as in the "fast-track" plants which are being put up to bolster reserves. But the use of gas turbine systems ceases to be economical over long periods, due to added fuel costs. The move to construct baseload plants using cheaper energy sources, therefore, is critical for the long-term health of the economy.

Jose Galang

Vital issues

Continued from previous page:

Catholic country. As a Protestant, Mr Ramos (with the help of his condom-waving health minister, Mr Juan Flavier) may find it easier to tackle the issue of family planning than would a Catholic, but an open confrontation with the powerful Catholic church would be risky for the president.

Last, but not least, there is the environment. Deforestation has contributed to erosion and thereby to the silting of dams and a reduction in the output of much-needed hydro-electricity. Of the top five manufacturing industries identified as particularly beneficial to the economy on the grounds of export potential, employment and other factors, two – wood processing and fish processing – are directly dependent on effective environmental protection which does not yet exist in the Philippines. The valuable tourist trade also depends on a clean environment.

In Manila today, pedestrians hold handkerchiefs to mouth and nose to try to filter out the dust and diesel fumes from the filthy air they are forced to breathe. From Taipei to Bangkok, that seems to be a price Asian city-dwellers are prepared to pay for increasing prosperity. The Filipinos have got the pollution; they are still waiting for the prosperity.

■ BIG BUSINESS FAMILIES

Fights on many fronts

THE RECENT battle for control of newly privatised Philippine Airlines (PAL) has served to emphasise an old truism: the Philippine economy is dominated by a small number of very powerful business families with surnames such as Cojuangco, Ayala and Soriano.

Such families often trace their strength to the quasi-feudal relationship between master and peasant which still exists in much of the countryside, and some of them have increased their influence by cosying up to successive central governments in Manila and by protecting their industrial enterprises behind high tariff barriers.

The privatisation of PAL in January 1992 has involved several of the country's best-known business families in a bruising and complex battle for control of PR Holdings, which bought 67 per cent of PAL from the state for $370m.

Mr Antonio "Tonyboy" Cojuangco, president of Philippine Long Distance Telephone (PLDT) and the former PAL chief, lost the first round of the PAL fight to Mr Lucio Tan, a Chinese-Filipino businessman with tobacco and banking interests, partly because Mr Cojuangco himself had secretly approached Mr Tan to help finance the transaction when he was unable to raise enough cash.

Mr Andres Soriano III, head of the San Miguel beverage and food conglomerate, regards Mr Tan as a dangerous rival in the brewing industry (Mr Tan has been marketing a beer called "Beer" which looks remarkably like San Miguel's own brand but costs less). Mr Soriano, like the Ayala family, had been allied to Mr Cojuangco against Mr Tan for the airline deal.

But Mr Soriano, outraged by Mr Cojuangco's scheming, apparently ended up selling his stake to Mr Tan via International Container Terminal Services, which wanted a ground handling contract from PAL.

There was a serious side to this unedifying and as yet unfinished saga, namely a dispute between Mr Tan and Mr Cojuangco over the wisdom of buying $1.2bn of new aircraft; Mr Tan wanted more emphasis on regional rather than long-haul routes. But the squabbling forced the government, which still holds a stake in the airline, to intervene and impose a compromise. Both Mr Gabriel Singson, the new PR Holdings chairman, and Mr Carlos Dominguez, the new PAL chief, are effectively government appointees.

Mr Tan is now reported to be seeking to sell his stake of just over 50 per cent in PR Holdings, describing his involvement in the airline as "a big headache."

An equally murky war has been waged over the location of the new, unified Philippine stock exchange (at present there are two exchanges, one in Makati and one in Manila).

A vote among stockbrokers in March chose Philrealty Holdings' Tektite Towers, in territory controlled by the Ortigas family, over a site owned by the Ayala family; but the margin of victory was narrow and the losers are challenging the result.

Mr Tan is regarded as something of an upstart by the dynasties which can trace their influence back to the days of Spanish colonialism, but his name, like theirs, seems to crop up again and again when big deals are being discussed in the Philippines.

The late Ferdinand Marcos helped to justify his dictatorship with a populist commitment to reduce the power of wealthy landlords and businessmen, but he gathered around him a set of equally influential business "cronies" instead; when he was overthrown in the uprising which brought Mrs Corazon Aquino to the presidency in 1986, some of the cronies found themselves in trouble and Marcos's old enemies emerged once more to flex their financial muscles.

The legacy of these continuing struggles is a corrosive uncertainty in the world of Philippine big business.

The Soriano family company San Miguel, for example, was brought under the control of Mr Eduardo Cojuangco (a Marcos associate who is one of Antonio's cousins) in the time of Marcos. The Aquino administration seized some of the Cojuangco-controlled shares in the company, saying they were unfairly obtained, but he is fighting in the courts to retrieve them.

The legacy of continuing struggles and financial disputes involving influential "cronies" from the Marcos era is a corrosive uncertainty in the world of Philippine big business

Ownership of part of PLDT is also under a cloud; in March the Presidential Commission on Good Government declared that the 44 per cent stake in PLDT's holding company claimed by the Cojuangco family may have in fact been owned by Marcos and therefore was at risk of seizure by the state.

Like others before him, President Fidel Ramos has vowed since his election in May last year to liberalise the economy and reduce the power of inefficient monopolies, although he has moved with deliberate caution to avoid antagonising the business community; his critics say the government, by intervening in PLDT, San Miguel and PAL, is taking an unhealthy interest in running big businesses.

"There is this intention to really overcome or eliminate inefficient monopolies in our economy," said Mr Cielito Habito, the Socio-Economic Planning Secretary in the Ramos administration and head of the National Economic and Development Authority. "My impression is that 90 per cent or more of the population is supportive of this trend."

But he added: "We don't want to overdo this. We don't want to do this to the point of discouraging investment."

Filipino businessmen, even those with free market tendencies, are concerned that Congress might pass anti-trust legislation so sweeping that it cripples big companies and provides further avenues for corruption and litigation in a country already over-burdened with both.

Although the big families are mostly fighting each other, some of them are starting to grumble about Mr Ramos's drive to increase competition. Mr Jaime Zobel de Ayala, head of the Ayala clan, complained in a recent speech that some officials were starting to regard businesses "particularly large and established ones" as detrimental to the national interest.

Seasoned observers of the Philippines believe Mr Ramos is bound to reach some sort of compromise with the big families he is targeting.

"The intention is sincere as a way of equalising the level of competition in the marketplace," says Mr Raffy Manalaysay, senior investment analyst at Crosby Securities in Hong Kong, "but whether the implementation is going to be as steadfast and earnest as he would like people to think – that's another matter."

PLDT is likely to be the focus of the government's attention for the time being. It is widely seen as an inefficient monopoly (there are only two telephones per 100 people in the Philippines) and improvements would be welcomed by the people forced to use PLDT's service, including the sort of protectionist businessmen who might otherwise be expected to oppose liberalisation; there are, furthermore, plenty of competent international companies which would be delighted to compete with PLDT for the lucrative Philippine market.

The ground has been further prepared for the Ramos administration by accusations of bribery and skulduggery. PLDT has long resisted attempts to make it connect its network to those of rival organisations such as Eastern Telecommunications, a Cable & Wireless affiliate, and it won an order from the Supreme Court to stop Eastern handling international traffic. Now, however, Eastern has suggested that the judgement read out by a supreme court justice – who has now resigned – was written by a PLDT lawyer.

Perhaps encouraged by these developments and by the likelihood of public support, President Ramos has ordered PLDT to allow other companies to connect with its network. He has also directed the government to exercise more vigorously its rights as a shareholder in PLDT and the holding company, replacing the government representatives on both boards.

The result of these moves is that Mr Antonio Cojuangco is starting to back down. In late March, PLDT announced that it was making connections with a number of other companies, including Eastern.

Big families still dominate the economy – and local politics – in the Philippines and they are unlikely to lose control during the Ramos presidency; but they may – as Mr Ramos seems to be showing with PLDT – be obliged to loosen their grip slightly if the economy is again to compete with the rest of south-east Asia.

Victor Mallet

President Fidel Ramos is winning new allies, reports **Victor Mallet**

Support grows for 'steady Eddie'

LIVING UP to his nickname of "Steady Eddie," President Fidel Ramos has advanced gradually but firmly on two fronts in an attempt to bring political stability to a notoriously unstable country and to consolidate his own authority following his election victory in May last year.

In September, he established the National Unification Commission, an advisory body with the task of mediating between the government and various rebel groups – including communists, right-wing military rebels and Moslem separatists – and with devising an effective peace process.

Mr Ramos has also won enough allies in Congress to ensure that the legislature does not block him at every turn in the day-to-day running of the Philippines. He has thus avoided so far the governmental paralysis which afflicted his predecessor, Mrs Corazon Aquino.

The president made an inspired choice in naming Ms Haydee Yorac to chair the NUC. A lawyer with liberal credentials, she won respect as an incorruptible election supervisor for Comelec, the election commission, and is acceptable both to the establishment and to left-wing guerrillas, some of whom were her clients.

Both Ms Yorac and the government regard the military rebels as the most immediate threat to the security and stability of the Philippines.

The rebels did, after all, stage seven *coup* attempts against Mrs Aquino; Mr Ramos, as her armed forces chief, was obliged to protect her.

Negotiations between the government and the rebels have already begun, and Colonel Gregorio "Gringo" Honasan, the charismatic officer regarded as the most influential of their leaders, is seen regularly in Metro Manila, either in restaurants or attending peace talks.

The assumption is that the rebels will be granted an amnesty and will in exchange disband their forces and give up their weapons – "I'm pretty confident that maybe within the year we will have a settlement," says Ms Yorac.

MEANWHILE, the communist threat has been sharply reduced by its international decline as a popular ideology. According to official estimates the number of partisans under arms in the Philippines has fallen from a peak of about 25,000 in the mid-1980s to a third of that number – "in terms of being able to overthrow the government, it's not forthcoming in the next 100 years," says Ms Yorac.

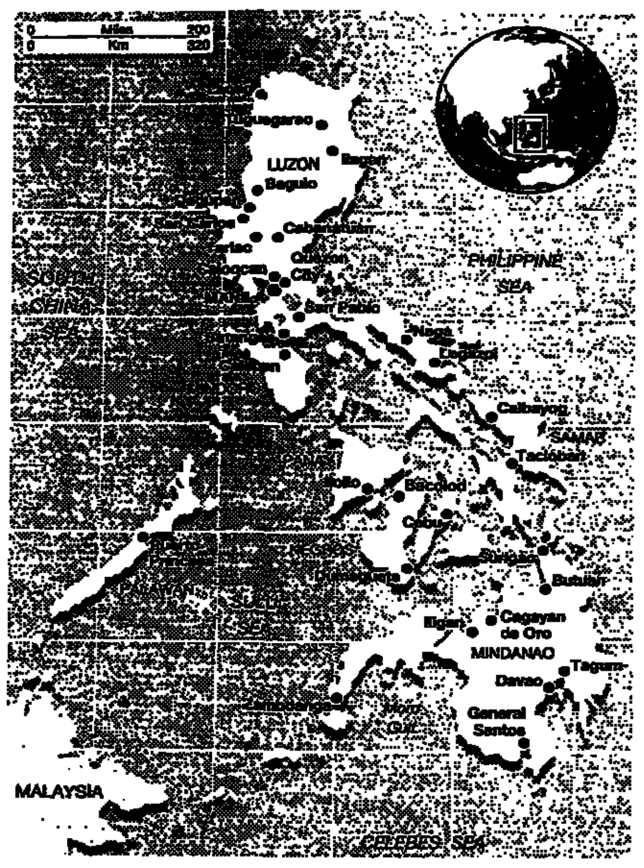
The communist party is racked by internal strife and is heavily infiltrated by military intelligence agents. Divisions have been deepened by Mr Ramos's decision to rescind a ban on membership of the party; communists are being urged to abandon the armed struggle and to campaign legally in Philippine elections.

In spite of the weakness of the communists, the government is anxious to conclude a formal peace agreement because officials are finding it increasingly difficult to distinguish between political rebels and armed gangs; a deal would leave the bandits out in the cold and allow the government to tackle them as common criminals.

The Red Scorpion crime and kidnapping gang, for example, is led by former communist rebels, according to the government. In March, Vice-president Joseph Estrada, the ex-film star who heads the Presidential Anti-Crime Commission, was in a group of officials attacked with guns and grenades south of Manila as they investigated the death of a tax officer thought to have been murdered by the Red Scorpions.

No-one was killed, but Mr Estrada blamed supporters of Leopoldo Mabilangan, a former communist commander known as "Comrade Hector," for the attack. Mr Estrada has accused Mr Mabilangan, who recently surrendered, of taking part in kidnapping jobs for the Red Scorpions.

The government and the leadership of the communist party have been haggling about the venue for a proposed second round of talks, and a meeting in Hong Kong is being considered. The atmosphere has not been improved by a statement from Mr Jose Maria Sison, party chairman, who accused the NUC of being "a propaganda instrument of the US-Ramos regime".



Organising negotiations with rebels of the Philippines' Moslem minority is likely to be equally difficult. Again, it *is* hard to distinguish between political activity and crime in the lawless southern provinces where the Moslems are strongest, and again the Moslem movement is divided.

The Moro National Liberation Front, whose leader, Mr Nur Misuari, is based in Tripoli, Libya, does not want to negotiate with the government at the same time as the Moro Islamic Liberation Front, the more religiously-inclined faction which broke away from the MNLF 17 years ago.

Behind the various rebellions in the Philippines lies a widespread perception that the political system – even after the 1986 downfall of the late dictator Ferdinand Marcos – is unjust and favours the wealthy, influential families which have long dominated both business and politics. The NUC is also trying to tackle this problem and has hosted "public consultations" in most of the country's 76 provinces.

Ms Yorac says she is urging disaffected Filipinos to air their grievances constitutionally rather than militarily. She reminds people that there *are* legal ways for the public to sack corrupt or incompetent officials, and that they can press for reforms suggested by the post-Marcos 1987 constitution; this, for instance, directs Congress to legislate against political dynasties, something it has so far failed to do.

It would be over-ambitious, however, to expect the political patronage system in the Philippines to transform itself overnight into a model democracy.

Mr Ramos, who was competing against seven rivals, won a mere 23 per cent of the vote in the presidential poll and his Lakas party fared poorly in congressional and local elections. He has therefore not flinched from making alliances with power-brokers to consolidate his position.

He co-opted (or, say the cynics, was co-opted by) Mr Jose de Venecia, a political organiser for Marcos who is now speaker of the House of Representatives. The result was a "rainbow coalition" of support for Mr Ramos, a euphemism meaning that many congressmen defected from the once dominant Laban party and from Mr Eduardo Cojuangco's party and gravitated towards the presidency and its powers: the whole House comes up for re-election in 1995, three years before Mr Ramos's term expires.


President Ramos's popularity has grown since his election victory

The Senate meanwhile replaced Mr Neptali Gonzales as its president with the more amenable Mr Edgardo Angara. Mr Ramos's amicable relations with Congress allowed him in March to win emergency powers to deal with electricity shortages – "you have to credit Ramos with the political ability to get the legislature behind him," says one leading foreign businessman.

President Ramos also felt obliged to seek popular legitimacy after his narrow election victory by touring the country to attend numerous rallies, a tactic some describe as a "post-election election campaign".

If the opinion polls are anything to go by, the president is doing fine. Not only do they suggest that 60 per cent of Filipinos approve of his performance, they also show that 46 per cent claim to have voted for him in the election – double the actual figure.

Stock market euphoria has faded, says **Jose Galang**

Exchanges resist a full merger

AS ONE of the best performers in recent years among the world's emerging markets, the Philippine stock market has been receiving increasing attention from global investors.

In 1992, the Manila Stock Exchange (MSE) composite index closed the year 9.1 per cent higher, a growth which was, however, substantially slower than the 77 per cent recorded the year before.

The euphoria in the weeks that followed the election of President Fidel Ramos, in May last year, which pushed the index to a historical high of 1,580 points, has given way to a cautious optimism, especially since it became clear in October that existing electric power generating capacity may not be sufficient to support economic growth targets.

This year, most analysts expect the market to approximate last year's performance, with much of the growth in the second half.

In April, after the signing by Mr Ramos of an "emergency powers" bill that enables him to attack the power problem more decisively, the index level broke the record established in mid-1992.

However, foreign investors are by no means tripping over each other in their efforts to put money into the country's two operating stock exchanges, the 66-year-old MSE and the Makati Stock Exchange (MKSE), which was established in 1963 by a splinter group disenchanted at the time by the domination of Chinese-Filipino interests in the older bourse. The Philippine market, despite its strong performance since 1990, has also been viewed as a volatile one. Furthermore, certain fundamental reforms are felt necessary to ensure investors of a level playing-field.

The two exchanges trade the same set of stocks, often at different prices, and give the impression – according to the watchdog Securites and Exchange Commission (SEC) – of price manipulation, especially since arbitrage is allowed.

The SEC has vigorously pushed for a merger of the two exchanges, but leaders of each detest the idea of being absorbed by the other. The proposal has been amended to a "functional unification", which member-brokers of the two approved overwhelmingly at a historic meeting last March. However, a key issue at the same meeting, the selection of the head office for the unified exchange, had remained unresolved owing to a fierce contest between two property firms, both regarded as giants in the local real estate market.

The MSE is currently housed in Tektite Towers, owned by Philippine Realty and Holdings, which is located in the rapidly developing Ortigas Centre, where the Asian Development Bank has put up its new headquarters.

ON the other hand, the MKSE has its own building on Ayala Avenue, in Makati's financial district. It was established by Ayala Corporation, the oldest business conglomerate in the Philippines, which is controlled by the Zobel family.

The debate has simmered down a bit since mid-April, with a move to declare both present locations as head offices, which will be linked up by a computerised system starting this July if no further delays are encountered.

Amid this acrimony, the two exchanges accounted for combined turnover of 154.5bn pesos ($5.8bn) in 1992, almost double the level in 1991. Analysts forecast that turnover will expand by a third this year.

While the composite index reflects price movements of a dozen stocks from the market's three sections, six stocks already account for over 60 per cent of the market capitalisation of 390bn pesos.

It is scarcely surprising that trading is often concentrated on these six firms: Philippine Long Distance Telephone, San Miguel Corporation, Ayala Corporation, Ayala Land, Philippine National Bank, and Manila Electric Company.

The Philippine stock market is also more sensitive to movements in interest rates and the peso-dollar exchange rate than to other macroeconomic figures. For instance, with the expected further decline in domestic interest rates, mirroring the downtrend in Treasury bill yields, investor interest in stocks should grow over the next few months.

During the two-tiered exchange-rate era of the mid-1980s, which was characterised by volatile peso-dollar rates on the black market, speculative money was siphoned away from the stock exchanges, resulting in lean turnovers.

These days, with the exchange rate showing fundamental stability, funds are more partial to stocks.

The market at the end of 1992 was trading at a price/earnings multiple of about 15, from which level there has been not much change. This rating is considered competitive among the region's stock markets.

SUBIC BAY SPECIAL ECONOMIC AND FREEPORT ZONE

Magnet for new investments

EVEN when it was under US navy jurisdiction because of a treaty with the Philippine government, Subic Bay was highly regarded for its strategic location in the Asia-Pacific region.

The former military base served as a jump-off point for American operations in Vietnam during the 1960s and in the Gulf War of 1991.

Now being converted into an industrial estate after the withdrawal of the last of the US forces in November 1992, Subic Bay is attracting business groups that require a well-equipped base to expand their activities in the region.

More than 2,500 companies, according to the ebullient Mr Richard Gordon, chairman and administrator of the Subic Bay Metropolitan Authority, have offered to locate operations in the area, now known officially as the Subic Bay special economic and freeport zone.

Among these businesses are four big international conglomerates, each of which expressed interest in taking over and running the whole zone. The SBMA, which is overseeing the conversion, turned down these proposals and opted instead to undertake the development itself.

Subic Bay "will be the magnet for new investments" into the Philippines, Mr Gordon told the Financial Times. "We are building an economic zone that can compete with other, similar projects in the region."

TAIWANESE investors, as a group, are among the most enthusiastic in setting up shop in Subic Bay. A 300-hectare area is being developed into an export processing zone for Taiwan companies. The Taipei government has pledged a $20m loan to the SBMA to help develop that area.

Having been the US navy's largest military base overseas, Subic boasts a variety of top-class facilities that can readily accommodate investors. Its recreational areas, including an 18-hole golf course, are also certain to attract tourists.

The 6,000-hectare facility sits between a deep natural harbour on the west opening up to the South China Sea and a mountain range on the other side, which makes it an ideal anchorage. The surrounding hills are regarded as protective barriers to any further *lahar* (volcanic debris) flows from Mount Pinatubo which is located north-east of Olongapo.

Existing infrastructure facilities include an airport, shipping berths and a well-maintained road network, as well as utilities (electric power plant, telecommunications, water and sewerage systems) and structures that can be used as warehouses, offices, hotels and medical centres. These make the zone attractive for businesses desiring an early start-up.

A 123-hectare petroleum, oil and lubricants depot has only recently been leased for $100m to Coastal Petroleum, the 10th largest petroleum-refining company in the US. The lease covers a 25-year period.

The depot has 68 individual storage tanks with a combined holding capacity of 2.4m barrels, and an 844ft pier capable of servicing two 60-80,000 deadweight tonne vessels simultaneously.

Mr James Paul, president and chief executive officer of Coastal, was recently in Manila to sign the contract with the SBMA. He said its Subic facility "has effectively and strategically positioned [Coastal] to supply gasoline, gasoil, jet and bunker fuel to the Pacific Rim," which he described as "the world's fastest-growing petroleum consumer."

That is the type of investment that the Subic zone wants to capture. An official in the SBMA's corporate planning office said the objective is "to prove that the Philippines can absorb foreign investments efficiently and quickly."

Subic Bay is likely to establish precedents that could benefit other industrial estates in the country.

In the planned industrial corridor south of Metro Manila, private groups in the five provinces known collectively as "Calabarzon" (coined from the first syllables of the provinces' names) are converting farmlands into industrial enclaves where investors may put up factories.

Unlike Subic's network of advanced infrastructure facilities, these Calabarzon estates are still being modernised.

As an incentive to investors, enterprises operating at the Subic Bay freeport zone are exempt from all national and local government taxes, and have only to pay a 5 per cent final tax on gross income. Currently, however, both the freeport zone and Olongapo's downtown are virtual "ghost towns" as the transition from a boisterous "good time" city into an envisioned industrialising economy proceeds at a slow pace.

While some companies are eager to come in, Mr Gordon speaks of the need to "make haste slowly". A master plan for the development of the zone, funded by the World Bank, covers only the former naval base itself. "We cannot go beyond what is in the master plan."

A factor that has to be taken into consideration is that the area was originally configured not as an economic zone but for military operations.

The SBMA plans shortly to lease housing units for executives – "we can use the income for the construction of housing for the workers," says Mr Gordon.

BY this July, the first of the nearly 700 light and medium-sized industrial enterprises that are likely to be set up in the area reserved for Taiwanese investors, could be operational. Eventually, these enterprises could employ over 160,000 people.

The new jobs should enable the Olongapo economy, which in the past was mainly dependent on transient US servicemen, to perk up.

"You will have to devise other businesses when the new occupants of Subic come over," Mr Gordon warned Olongapo market vendors and small entrepreneurs recently. "If, in the past, you thought you've earned enough by swinging a sale with a drunken sailor, this time you will have to make your products and services truly competitive."

On the side of a hill fronting Olongapo's main road, huge letters are planted, Hollywood-style, with this exhortation: "Aim high, Olongapo."

Subic Bay freeport zone will have to take off before the people of Olongapo can heed the message.

Jose Galang

Victor Mallet visits the island of Palawan, an environmental test-case for south-east Asia

Protection for a final frontier

THE SIGN at the "Bottleground" bar on Rizal Avenue, boasts: "Hot Women Plus Cold Beer."

With its brothels and Roman Catholic churches, there is not much at first glance to distinguish Puerto Princesa, the capital of the island province of Palawan, from any other town in the Philippines.

A typical family owns an old videotape of the wedding of Britain's Prince Charles to Lady Diana Spencer, and has eight children. Seven masses are celebrated each Sunday at the Immaculate Conception cathedral, to accommodate the growing number of inhabitants.

Religion even penetrates the underground river, Palawan's main tourist attraction – "see this stalactite – it is like the Virgin Mary," declares the boatman to his sceptical passengers. "And this one" – he points at another apparently shapeless rock – "is like the Holy Family."

In one very important sense, however, Palawan is different. Elsewhere in the Philippines almost all the tropical forest has been destroyed, but about half of this long, thin mountainous island south-west of Manila is still covered with trees.

Elsewhere, coral reefs have been dynamited into oblivion, but in the waters around Palawan much of the coral and other forms of marine life have survived, making the area a paradise for divers and the source of two thirds of the fish for the national capital, Metro Manila.

Palawan has become a test case, not just for the Philippines but for south-east Asia as a whole: is it possible to preserve some of the region's beauty and natural resources for future generations, or must everything be destroyed to make room for an increasing population and for the traffic jams which accompany the phenomenon known as "economic development"?

"Palawan, our last frontier: make it last. Stop illegal fishing," declares the roadside billboard in Puerto Princesa. Another billboard shows the diminishing size of fish caught over the past 20 years, and urges fishermen to stop using cyanide, which does not discriminate between baby and mature fish and therefore needlessly decimates fish populations.

The presence of the billboards is both bad news and good news. The bad news is that the battle to save Palawan's resources for the future is an uphill struggle; the good news is that a few members of the central and local governments are starting to take the matter seriously.

The very fact that Palawan is relatively undamaged – and undisturbed by separatist or communist rebels – makes the island a favoured destination both for poor migrants from other parts of the Philippines and for foreign tourists. Migrants follow the logging companies' bulldozers to clear farmland for rice, cashew nuts or coconuts, and the tourists come to find the tranquillity now lost in much of the rest of south-east Asia.

Palawan also has oil offshore and nickel deposits in the south, but the financial benefits – even when they come to the island rather than to the central government or to big business – are clouded by the inevitable disadvantages.

Bottled-drinks for sale on the palm-fringed beaches of Palawan. The mountainous and relatively undamaged island is a favoured destination for poor migrants from other parts of the Philippines – and by foreign tourists. Picture by Victor Mallet

The island's population has doubled to about 600,000 in the past decade, and Puerto Princesa is starting to smell of the diesel smoke and motor-cycle fumes generated by trucks and tricycle taxis; one of the nickel companies is being accused of polluting a river with laterite waste; there are fears that the gold prospectors, who have recently rushed to the north of the island, will poison fresh water with the mercury they use to separate their gold from sand; and there are increasing signs that deforestation is causing the erosion of land, silting of rivers, and fresh-water shortages which have plagued other islands in the Philippines.

A moratorium on commercial logging in Palawan was imposed last year, and more recently the authorities banned the transport of live fish which had been exported from the island to aquariums and to Chinese restaurants.

Enforcement of environmental regulations, however, is hard – "it's very difficult," says Mr Felipe Ortiz, the chief of forest management at the Department of Environment and Natural Resources (DENR) in Puerto Princesa. "There are many people in the city – and it's still a developing city. There's really a need for lumber."

Furthermore, big businessmen backed by private armies are still keen to export logs in defiance of the official ban. Court cases filed against those who violate timber laws are sometimes mysteriously dismissed, local officials say.

But the election of a new mayor and a more enlightened local government for the capital Puerto Princesa in May last year has given a boost to Palawan's environmental campaigners.

"Before, they [the old officials] made lots of speeches about conservation, but meanwhile their people were out cutting trees," says Mr Ortiz.

In 1991, 14 members of Haribon Palawan, the island's main environmental group, were charged with subversion and harassment, although the charges were eventually dropped. Now, Haribon workers carry walkie-talkies provided by the local authorities so the two sides can work as a team.

The resounding defeat of Mr Ramon Mitra, the former speaker of the Philippine House of Representatives, in last year's presidential election, is also a bonus for the environmentalists, since he was regarded as the political patron of Mr Jose Alvarez, a businessman from outside the island who has taken a leading role in the logging industry in Palawan.

Palawan's new mood of co-operation between the local authorities, environmentalists and inhabitants was underlined at a recent ceremony in the district of Tagabinet attended by Haribon representatives and local officials.

Twenty-two members of the Batak and Tagbanua tribes were awarded "stewardship certificates", giving them the right (under a national plan to control upland cultivation) to occupy and farm their land near the St Paul's national park. Previously they were regarded as illegal settlers. In exchange they must undertake not to expand their clearing by cutting down forest trees. Mr Mil Reynoso, the vice-mayor of Puerto Princesa, said too much deforestation would turn the country into a desert like Iraq – "it affects the personality of the people there," he said. "They are so hard."

It is by no means certain that the farmers fully understand their obligations under the scheme – one drunken smallholder immediately asked whether it was all right if he chopped down a protected species of tree because it was good for building houses – but at least a start has been made in winning the support of the inhabitants of Palawan for efforts to preserve the island's resources.

Mr Joselito Alisuag, the activist lawyer who heads Haribon Palawan, is relieved that he finally has a few allies in the city hall. "We used to fight *everyone*," he says as he fingers his walkie-talkie. "Now we've got friends."

Earnings by overseas contract workers help to offset the stagnation of the domestic economy

A key role for Filipino skills abroad

THE STORY of how Mrs Pascuala Dastas, a Filipina domestic worker and mother-of-three, met her death illustrates the cruel consequences of a supposedly resource-rich economy that cannot provide enough jobs for its people.

Mrs Dastas left her three sons in the Philippines to seek employment in Hong Kong. She was killed in March while saving her five-year-old ward from a bus accident. Her body was brought home to a heroine's welcome – and President Fidel Ramos gave her a posthumous Bagong Bayani (new hero) award, handed out annually to outstanding Filipino overseas contract workers at the Labour Day celebrations.

The government long ago proclaimed OCWs as the nation's modern-day heroes for their contribution to the economy. During its debilitating slowdown in the mid-1980s, earnings sent home by OCWs eased the situation in many Philippine communities.

Over the past two years, foreign exchange remittances have again partly offset the stagnation of the domestic economy. This year, remittances are projected to reach $2.5bn, making Filipino manpower the country's leading export item.

From about 40,000 in 1975, the number of Filipino skilled and semi-skilled workers winning employment contracts abroad has reached 680,000 a year. This number does not include those who sneak away to find employment illegally.

There are now two million Filipinos legally employed as construction workers, seamen, domestic helpers, hospital staff or nightclub entertainers in many parts of the Middle East, Europe, east Asia including Japan, and the US. Most of them earn up to five or six times what they would be paid in similar jobs back home – if they could ever get one. According to the Department of Labour and Employment, of the total 25.3m employable persons in 1992, nearly 2.3m were out of a job. By January 1993, the unemployed total had declined to 2.18m people.

However, even among the ranks of the locally employed, there remains a high "under-employment" rate, which makes working overseas an attractive option for many. But as the deployment of OCWs has increased, so has the range of problems involving their relationships with their employers and with the families they leave behind. Charges of physical abuse and non-payment of correct wages are the most prominent.

This has put a strain on the staff of Philippine embassies abroad. In areas with large number of Filipino OCWs, the country's diplomats have a hard time coping with the social problems that arise, and are sometimes accused of indifference.

At the same time, the Philippine foreign service has benefited from the OCW movements. Where there are large concentrations of such workers, Philippine embassies register large cash surpluses from fees related to the workers' tenures. For instance, the embassy in Saudi Arabia, where there are an estimated 250,000 Filipino workers, reportedly provides financial support for the operations of 12 diplomatic posts in Europe.

Yet social workers are increasingly worried about the rising number of inter-marriages among migrant workers and local nationals that lead to broken homes and other problems. A recent case involved the death, from hepatitis, of a Filipina who worked as a night-club entertainer in Japan. According to the police, the body of the victim bore torture marks that indicated foul play.

Owing to the failure of Japanese authorities to give a credible account of the death, there were calls in Manila for an end to the deployment of Filipinas to entertain in Japan. Instead, the government imposed a "partial" ban: no Filipino aged below 23 is now allowed to work there as an entertainer.

Japan, South Korea and other more advanced economies have cut industrial costs by investing in factories in south-east Asia. Although the Philippines has missed out on much of this investment wave, its officials are hoping that some day – when the local economy starts generating enough jobs to absorb the 800,000 people who join the labour force annually – the OCWs could return home and bolster the quality of technical skills for the expected industrial boom.

Jose Galang